THE EMPIRE CLUB
ADDRESSES 1981-1982

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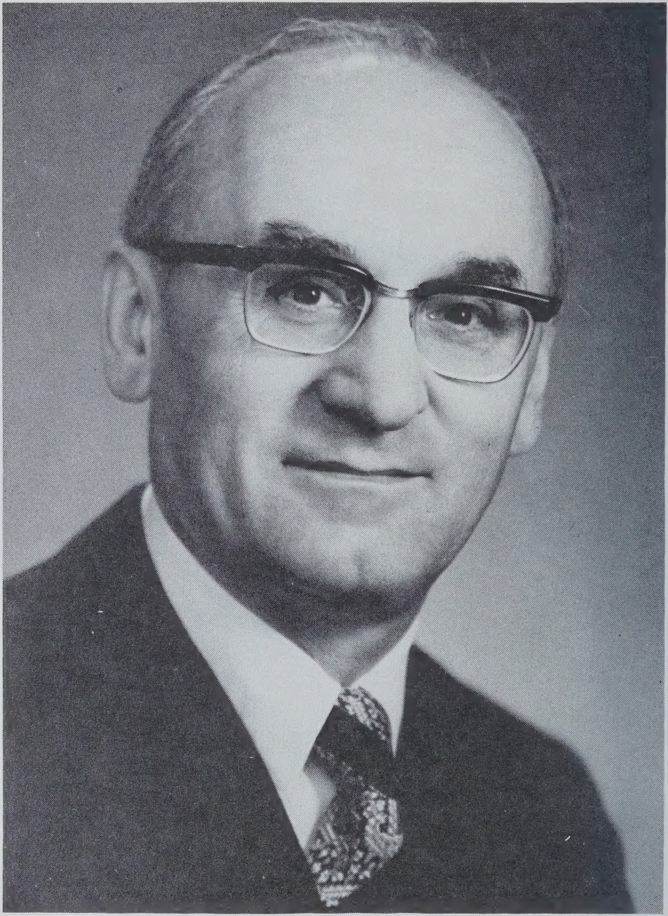
The Empire Club of Canada
1981-1982



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BGen. S. F. Andrunyk
President, 1981-1982

ADDRESSES 1981-1982

The Empire Club of Canada

SEVENTY-NINTH YEAR

GOD SAVE THE QUEEN

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The Empire Club of Canada

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Preface

During the past year The Empire Club of Canada has been addressed by a group of outstanding people who have spoken with authority on the major issues of the day. They have initiated an empire of ideas which, it is hoped, have reflected the tradition and purposes of this historic club. To all who honoured our club with addresses we offer our thanks and appreciation.

We are equally grateful for the generosity of the benefactors and donors of the Empire Club Foundation who made possible the publication of the addresses in this familiar red-covered yearbook. Copies of this book are distributed to our membership and to more than four thousand libraries across Canada, leaving a permanent record of contemporary Canadian history.

S. F. Andrunyk
President, 1981-1982

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addresses contained in this volume are those
of the speakers themselves and do not necessarily
carry the full or partial endorsement of
The Empire Club of Canada

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Produced by Peg McKelvey
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HER MAJESTY QUEEN ELIZABETH II

Dominion Day Luncheon

In the presence of
The Honourable John B. Aird, O.C., Q.C., LL.D.
Lieutenant Governor of Ontario

held jointly by
The Empire Club of Canada
and
The Royal Commonwealth Society (Toronto Branch)
29 June 1981

CO-CHAIRMEN
Major General B.J. Legge, C.M.M., K.ST.J., E.D., C.D., Q.C.
Chairman, The Royal Commonwealth Society
(Toronto Branch)
and
Brigadier-General S.F. Andrunyk, O.M.M., O.ST.J., C.D.
President, The Empire Club of Canada

PROGRAM
Vice-Regal Salute

Grace
Most Reverend Nelson Hillyer
Bishop of the Old Catholic Church

The Loyal Toast
Proposed by the President, The Empire Club of Canada

The Royal Anthem

Welcoming Remarks
President, The Empire Club of Canada

Greetings on Behalf of
Her Majesty, Queen Elizabeth II
The Honourable John B. Aird
Lieutenant Governor of Ontario

Soloist
Mrs. Gaynor Jones Low

Accompanist
Mr. David Low

Musical Selections
The Maple Leaf Forever
J'ai Cueilli la Belle Rose
O Danny Boy
Land of Hope and Glory
Bugeilio' R Gwenith Gwyn
Will Ye No Come Back Again
The Lord is My Light

Appreciation
Chairman, The Royal Commonwealth Society
(Toronto Branch)

National Anthem

OCTOBER 1, 1981

Transportation in the Eighties

AN ADDRESS BY The Honourable Jean-Luc Pepin,
MINISTER OF TRANSPORT

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Honourable Ministers, distinguished guests, members and friends of The Empire Club of Canada: Today marks the official opening of the seventy-eighth season of this great and historic club, and it is most gratifying to see such a large turnout.

To open our new season we are honoured to have as our guest speaker a prominent and distinguished Canadian who is no stranger to the Empire Club.

The Honourable Jean-Luc Pepin first spoke to our membership on January 15, 1970 on the subject of "Bilingualism — A Prescription for National Unity." Those who heard him on that occasion will recall his use of the more popular commercial slogans to promote bilingualism. I quote but two of these: "The man of distinction is bilingual" and "Bilingualism — it takes away the fear of being close."

Six and a half years later, on October 14, 1976, he spoke to the club on the subject of "Canada and the Anti-Inflation Program One Year Later." Knowing what we know today, an appropriate slogan on that occasion might have been "Nobody can do it like the AIB can."

Neither is the Minister a stranger to Canadians from coast to coast. After completing his studies at the University of Ottawa and in Paris, he taught courses in Canadian government, diplomatic history, international law and political theory at the University of Ottawa. At the same time he was a regular commentator on Canadian and international current affairs on radio, television and in the print medium.

It is therefore not surprising for a man with his background to enter politics. He was first elected to Parliament for Drummond-Arthabaska in 1963 where he quickly amassed a wide range of government experience as Parliamentary Secretary to the Minister of Trade and Commerce and later as Minister of Energy, Mines and Resources, Minister of Trade and Commerce and Minister of Industry.

He was not re-elected in 1972 so in April of the following year he contributed to the creation of Interimco Ltd., a consultant group on international trade, becoming its first President. In addition he sat on the boards of several leading Canadian corporations. He resigned from these posts when he was appointed Chairman of the Anti-Inflation Board. He left the Chairmanship of this Board in July 1977 to become the Co-Chairman of the Task Force on Canadian Unity, holding this appointment until April 1979.

In May 1979 Mr. Pepin was elected Member of Parliament for Ottawa-Carleton, and after re-election in 1980 he was appointed to the Cabinet as Minister of Transport.

Ladies and gentlemen, it is my pleasure to invite the Honourable Jean-Luc Pepin, a man who was recently described by a Montreal journalist as "a brilliant academic with working-class practicality, a disarming wit, a master of the media, with a passionate and coherent vision of Canada," to share with us his views on "Transportation in the Eighties."

THE HONOURABLE JEAN-LUC PEPIN:

Ladies and gentlemen: During the last eighteen months, I have sat through countless hours of meetings and briefings, read thousands of memoranda, studies and reports, visited scores of communities and sites — ports, airports, railway lines, and made hundreds of decisions.

What strikes me most about it all?

May I say as an aside that I already knew that it is never possible for a politician to please everybody, particularly as Minister of Transport, but I have been impressed by the *quality of the insults* I have received!

> The trains go rumbling along . . . if they moved as slowly as Jean-Luc Pepin, we wouldn't have to worry about another railway accident.
> (*Ottawa Citizen* editorial, January 24, 1981)
>
> . . . the worst thing to happen to railroads since Jesse James.
> (Geoff Johnson, *Ottawa Citizen*, September 26, 1981)
>
> Mr. Pepin is a nice man; but he will never make a Transport Minister.
> (*Globe and Mail* editorial, February 9, 1981)
>
> . . . the entire Ministry of Transport, including the Minister, has jet engines for brains.
> (Les Benjamin, M.P., CKCK, Regina, July 27, 1981)

But then remember what was said about my predecessors, Marchand, Jamieson, Lang. Mazankowski was luckier; he did not survive the honeymoon period!

There has been some praise too for my work, which of course I am too humble to quote!

The diversity of appreciation of the Minister tells something about the politics of transportation. It is a field in which most people are concerned, involved . . . and *expert*! It is one in which a politician must convince himself to rely more on the assessment of historians than on the judgement of his immediate contemporaries if he wants to keep his sanity!

Before getting into the transportation specifics, I want to share with you an underlying theme of my speech which is that governments (all of them) have to spend money more wisely and that citizens should support those politicians who actively try to implement that objective. We simply have to get better cost effectiveness for our tax dollars, what some call "a better bang for our buck," simply because today there is so much to do that is necessary and not enough bucks to do it all.

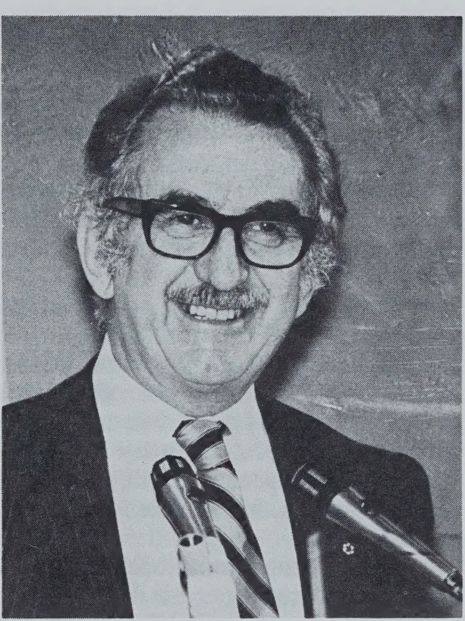
Strangely enough that proposition is not an easy one to accept by both the politicians and the citizens. Let's face it: the quest for popularity is the natural occupation of politicians. They want to be loved! On the other hand, citizens support government restraint, in principle, cutting back on deficits, in principle, concentrating on priorities, in principle, but that broad support evaporates when specific hard decisions are made, particularly those that affect them personally. And there seem to be more and more of them!

Keeping that theme in mind (restraint, cost-cutting, tough decisions, public support) I am here to reflect with you on the state of transportation in Canada, to describe what I have done in the last eighteen months, and say what I plan to do in the coming year or two.

Let me describe the state of transportation in Canada rapidly in a number of observations.

First, Canada has a reasonably good transportation system for goods and people. The basic infrastructure is in place. It annually moves 800 million passengers from city to city and 400 million tonnes of freight from region to region and abroad.

Canada's transportation system has grown tremendously over the past thirty years. This growth includes completion of a national highway network so that we now have 170,000 miles of highway, more highways per capita (38 kilometres per person) than any other country; construction of the Seaway and expansion



The Honourable
Jean-Luc Pepin,
Minister of
Transport

of major ports (we ship more marine cargo per capita than any other country); the construction of a very modern air system so that we are now the second biggest group of air travellers in the world (the United States is first). One could go on. But the point is clear: we have a big transportation system, and it generally works well.

And all this is at a reasonable cost to the user. As a matter of fact, over the past three decades the cost of transportation in this country has gone up about twenty-five per cent less than all other costs in the economy. As one specific example, it cost $105 in 1960 to fly from Toronto to Vancouver; a one-way economy fare. Today the same trip costs $279, or $87 in 1960 dollars, a sixteen per cent decrease in constant dollars. That is for an economy fare; a charter-class seat or no-frills flight is currently much less.

But for a growing country like Canada, one so dependent on transportation because of its size, "reasonably good" is not good enough. Demands created by an increasing and increasingly mobile population, by an expanding and maturing economy, and by the need to remain competitive internationally, make constant and substantial improvement a necessity.

In the west, a large influx of people and record growth in the resource sectors presses us, in the federal area of transportation jurisdiction, to greatly expand port, airport and rail capacity. For example, potash traffic is forecast to increase by about 123 per cent in the 1980s, grain by 44 per cent, and coal by 205 per cent. And that will be expensive: 75 per cent of $16 billion for the railways only, in the present decade.

In the southern parts of Ontario and Quebec, where the transportation system is highly developed and among the best anywhere in the world, improving efficiency is of paramount importance. That means, still at the federal level, airport improvements, sufficient capacity for Seaway traffic, and improved rail passenger services. And that will be expensive!

In Atlantic Canada, federal transportation expenditures already total about $690 million per year, or more than two and a half times the average per capita across the country. And more funds are and will have to be freed for ferry, airport, port and highway improvements so important to that region's rather unsatisfactory state of economic development.

A second observation: our transport system is propped up by massive federal government assistance. Well over half of Transport Canada's and the Canadian Transport Commission's budget is paid out in some form of federal financial assistance. Expenditures of my department and the CTC are currently about $2 billion annually and more than half of this goes to subsidies. We currently have subsidies in place that encourage Toronto area firms wanting to ship flour to Halifax to ship it to Georgian Bay ports first; like going from Toronto to Vancouver via Montreal. We also spend well over a million in the Maritimes each year to subsidize the movement of scrap steel and empty containers within the region.

I am not against subsidies in principle. A lot of them are justifiable. To speak like the CN, "Transportation is a business and a responsibility." But, going back to my earlier theme, in times of government restraint and in face of increasing demands by Canadians for transportation improvements, the question is, can we continue expending such sums on transportation subsidies? Will there be enough "new money" to finance the improvements and expansions necessary to address the inadequacies I referred to above? I don't think so. Consequently, while counting on some "new money" — and getting it — we have to recycle some of the old money. That will mean hard, unpopular decisions.

A third observation: the Canadian transportation system is generally quite safe. In all modes, the number of accidents has decreased over the last decade as a percentage of total traffic. In air, for example, even Mr. Justice Dubin's report (first volume) shows that accidents per hours flown decreased from 1970 to 1979. The real major killer remains the car where over five thousand lives were lost in 1979, compared to 247 in the air during the same year.

We all realize that there is plenty of room for improvement. Witness the Mississauga accident, the sinking of oil tankers off Canada's coasts, the Dubin report on air safety. Many steps have been taken — more about that later, but the demand is great and pressing. Giving it satisfaction will be expensive.

A fourth observation: in transportation too, there are difficulties in federal-provincial relations.

Fortunately, the worn-out expression — "The BNA Act has served us well" — is probably more appropriate in this field than in any other. In transportation, the division of legislative authority is fairly clear and generally respected, and provincial appetites to assume federal responsibilities are tempered by the high cost of their satisfaction! Who would wish to take over rail passenger service when it costs about $500 million per year?

But, here again, there is room for improvement. I was recently shown photographs of a provincial highway construction project next to a federal railway upgrading project. I realize that different modes most often service different markets. But can we build or upgrade highways, railways, ports and airports, in all areas, forever? I don't think we can afford it.

There has to be better planning and co-ordination within and among governments in order to avoid duplication. In some cases, governments must disentangle themselves from joint programs or overlapping jurisdiction. It makes no sense, for example, for the federal government to operate commuter rail lines when provinces are charged with and assume responsibility for overall urban transportation.

I wish I had time to expand on a number of other observations on the Canadian transportation system: for example, on the inadequacy of research and development so necessary to keeping productivity up and costs down; and on the need for deconcentration in the decision-making process so as to involve local communities to a greater extent.

Now let us examine the track record. What have I and my department done in the last eighteen months? In every mode and in every region, we have taken action, rapidly, energetically, at times dramatically, and often controversially. Let me give you an idea of the progress made.

In the area of rail passenger transportation, I seem to have offended a lot of people, including the editorialists of *The Globe and Mail*. As Paul Hellyer said (*The Toronto Sun*, July 29, 1981): ". . . the *Globe and Mail* (attacks) government spending as the cause of inflation. Now it condemns the first serious efforts the Liberals have made in a long time to cut expenditures. Cynicism is a two-way street."

As I said earlier, government payments to VIA Rail are currently running at about $500 million per year, and over seventy per cent is going to subsidize operating losses ($365 million). That means that every time a passenger steps on the train, you as a taxpayer pay seventy per cent of the fare, an average of seventy dollars per ride. On the transcontinental, the subsidy is one hundred and sixty dollars.

The country has gone through four revolutions in transportation since the end of the war: the popularization of the private automobile, the expansion of bus services, the extraordinary growth of air travel, and the advent of telecommunications. Can we expect rail passenger service to remain unchanged in the face of such fundamental changes in the rest of our transportation and communications system?

Before my July announcement, VIA faced an impossible task. It was to increase ridership, improve services, modernize equipment, terminals and on-board services. And yet most of its money was going to pay the operation deficits, which, by the way, were increasing about fifteen to twenty per cent per year.

We had to stop the hemorrhage; we had to operate to save the patient.

We decided to do four things. The first was to remove those services that are losing the most money (such as one western and one eastern transcontinental), services that are least used by travellers (local routes such as Moncton-Edmundston), and those that are not really part of VIA's business (commuter rail).

The second was to define VIA's primary role as serving the intercity market (five hundred miles or less) while maintaining one transcontinental service across the country and services to remote areas (Churchill, Senneterre, Northern Ontario, etc.) where other modes were not generally available.

The third was to double VIA's capital budget from $90 million in 1981-82 to $182 million in 1983-84, for a three-year total of $446 million. This decision will improve passenger services (LRC service) in those areas where VIA is reasonably competitive against other passenger modes; just as important, we gave VIA a three-year budget.

The fourth decision was to give serious consideration to proposals to provide VIA with a defined mandate through a separate VIA Rail Canada Act, the development of a new operating contract between VIA and CN/CP, and a review of the costing system (under which VIA makes payments to CN and CP).

That set of decisions has been called "short-sighted," "dictatorial," "anti-democratic," "an act of provocation," and "outrageous." Fortunately, it has also been called "the right decision," "sensible," "courageous," even "too modest."

As a contribution to Canadian regional psychology, may I submit the following quotations:

> (This is) . . . just part of the Liberal government's whole drive to take punitive action against the west.
>
> (Deputy Mayor Ed Leger, Edmonton)

> We (Ontario) probably got hit worse than anyone else . . .
>
> (The Honourable James Snow,
> Ontario Minister of Transportation)

> Le Québec est le plus touché par les coupures de service.
>
> (Headline in *La Presse*)

> Once more the maritimes are being shafted for the benefit of Ontario and Quebec . . .
>
> (Fredrick Angus,
> letter to the *Montreal Gazette*)

My critics presumably want to wait, study and debate . . . and end up spending even more. I say the solutions we accepted have been recommended over and over again by a long series of studies and inquiries over a period of thirty years. Now is the time to implement them.

Other initiatives undertaken in surface transportation areas are equally important. For example: the passage, after two earlier attempts, of the Transportation of Dangerous Goods Act to ensure, in co-operation with the provinces, a safer handling and transportation of dangerous commodities; the progressive implementation of the Grande Commission Report on Railway Safety. The Canadian Transport Commission yesterday announced its decisions on the first three recommendations (roller bearings and couplers, hotbox detectors, length and speed of trains), and action has been taken on the other twelve; a capital program for the revitalization of the Newfoundland railroad through the containerization of traffic for improved services and lower longer-term costs ($77 million); an increase ($45 million more than the present $70 million a year over three years) in the sums available for branch line rehabilitation in western Canada so that grain can be moved more quickly; funding provided for the relocation of rail lines ($14 million) and for a multimodal terminal ($3 million) for bus and rail passenger services in Regina; a doubling of federal money for rail research and development ($7 million) to investigate and implement new technologies for railway safety, electrification, modern rail cars and locomotives, and communications equipment.

In marine transportation, we certainly haven't been leaving our oars in the water; it's been full steam ahead!

When I became Minister in March 1980, there were four port situations on the west coast which necessitated immediate attention. All have been resolved. At Duke Point, Nanaimo, a tripartite agreement ($26 million) was rescued and an important lumber terminal has been built. We inaugurated it two weeks ago. At Prince Rupert, the agreement on a grain terminal ($200 million plus) was concluded with a consortium of grain companies, and the project is proceeding on schedule. Since then, a project for a coal terminal has been added and is presently being negotiated. At Roberts Bank, the provincial government was persuaded not to let a jurisdictional debate on the Straits of Georgia interfere with the quadrupling of coal facilities at a cost of $47 million. Construction is also on schedule. At Vancouver, we went ahead with the completion of Vanterm ($11 million) and Lynnterm ($4 million).

Most major ports elsewhere in Canada are in good shape. Major projects are now underway at Montreal (Racine Container Terminal, Elevator Four), Saint John (potash), and Halifax (Fairview Cove).

Many of the National Harbours Board's ports had one problem in common: how to increase local decision-making. The Prime Minister supported that objective in the last election. I announced last May a new ports policy to be introduced in the fall. It will allow the major National Harbours Board ports to form Local Ports Corporations endowed with fairly wide decision-making authority within a new national ports organization.

In the Seaway we are squeezing more capacity out of the system through a series of administrative and technological changes (for example, improved traffic control, widening of a section of the Welland, redesigning the approach walls to the locks) that should allow forecast traffic to be handled through this decade. The Seaway Authority continues to assess the need for large and very expensive options to improve capacity, such as the "twinning" of the Welland Canal.

Marine search and rescue is a major preoccupation and several new ships have been added on the east and west coasts, and further approvals are expected to augment our capacity in this important area.

Arctic development is coming, and we are preparing for it at Transport Canada. Cabinet has approved in principle the design of a $427 million (1981 dollars) polar icebreaker for arctic service, and has agreed to an increase of fourteen million dollars in arctic marine research and development to ensure that resources and ships can be moved safely and efficiently in due course through ice-covered waters to the south.

Of interest to business-oriented people like you is the fact that all federal government marine corporations in Canada (National Harbours Board, St. Lawrence Seaway Authority, four pilotage authorities) are now in the black when measured on corporate profit and loss concepts.

In air transportation, the eighteen-month track record is equally eloquent. Improvements are being made at many airports (for example, Toronto, Vancouver, Edmonton, Regina, Hamilton, Ottawa, Quebec City, Charlottetown and Gander), and more are being planned (Toronto). Agreement with the Province of Ontario, Metro and the City of Toronto on STOL has been reached. A paper on a new domestic air policy has been released for discussion. It proposes the continued but moderate de-regulation of the Canadian air carrier industry. The implementation of bilingual air traffic control in Quebec is on schedule and being accelerated. I recently announced that I will soon be introducing legislation to create a Canadian Aviation Safety Board. Acknowledging that the air traffic controller situation is far from good, I believe that firm negotiations with their association during the recent problems in the United States were beneficial. I should add that new contract negotiations are now ongoing between the Canadian Air Traffic Controllers Association and the Treasury Board. And faithful to my theme, I want to say that a significant decrease in the amount of subsidization to the aviation system is being achieved. The cost recovered has increased from about thirty-five per cent in 1974 to fifty-one per cent today.

The all-federal modes' eighteen-month track record I have just gone through shows what can be done with hard work, dedication, patience and money. Problems exist, they are strongly debated, but they usually get resolved, which makes this country a great one.

Looking to the future, in the same spirit of realistic optimism my plans are rather ambitious for the next two years or so.

I have three main priorities of equal importance: capital investment; safety; institutional change.

Again, please do not forget my theme of the need for restraint, tough decisions and public support. To accomplish what I think is needed in the transportation system in this country will require money, of which we have little. So we will have to make tough decisions among many demands, to cut less effective expenditures, and to recycle money through reducing subsidies and increasing cost recovered. I want you to understand this because I know that only with the support of people like you can I be successful in dealing with my priorities.

One of them, I said, is capital investment. We need a lot of it to maintain our existing infrastructure and to cope with increased demand.

The main concern here is in western Canada. In that booming region, especially with the growth in the resource sectors, the existing system is running out of capacity. As we saw, construction has already started on major port expansions at Prince Rupert, Nanaimo, Vancouver and Roberts Bank. The railways need to go ahead with several expansion projects to increase rail capacity, particularly double-tracking the line west of Edmonton, and building the Beaver Tunnel in the Rogers Pass. Yet they do not have all the necessary funds. CN and CP require about sixteen billion dollars this decade; about three-quarters of that is needed for their western region. Yet they have a short-fall of about four billion dollars.

The main culprit is the famous Crow's Nest Pass rate agreement which has kept grain freight rates at the same level since 1897. It is cheaper now to ship a bushel of wheat from the prairies to Vancouver than to mail a letter; and that's before the mail hike due on January 1, 1982! As a consequence, the railways are currently losing about $250 million per year in moving grain.

For the past year, I have done my best to help develop a consensus in the west to resolve this issue. In my view, both the federal government and farmers will have to share in the costs of hauling grain and reducing railway losses. I believe that a consensus is growing in the west on these facts. An early resolution is essential to make sure that the west has enough mainline rail capacity to market our export products, now that the capacity of the ports has been assured.

Besides western rail capacity, essential capital funds are needed in other important areas: in VIA to improve intercity rail; for airport expansion for both large and small airports across the country; for port expansions and improvements, capacity on the Seaway/Great Lakes system, a polar icebreaker, among other things.

Another top priority is safety, for all modes. I have already referred to the implementation with the provinces of the Transportation of Dangerous Goods Act, of the recommendations of the Grange Commission on rail safety, and coming legislation to form a Canadian Aviation Safety Board. These are most important steps, and they are far from full implementation. Yet, more is required.

With respect to the air mode, I shall be examining the recommendations of Mr. Justice Dubin's forthcoming second and third volumes of his report with great care, and I will be pursuing their implementation vigorously — more on this subject in a few weeks. In addition, I will continue the forceful educational campaigns, aimed at the various aircraft operators, that we instituted some years ago and which have been markedly successful. As well, I have recently approved the Air Navigation Order requiring certain types of Canadian aircraft to be fitted with Emergency Locator Transmitters in an attempt to improve our search and rescue response.

Among other initiations that are being considered are a still greater effort on the part of the provinces and of the federal government to foster road safety through public awareness campaigns and through increased seat belt usage and other safety measures, and additional resources (person-years, modern equipment) for marine search and rescue.

But what is most needed in safety is an attitude of mind on the part of Canadians in general. So much here has to do with teaching and preaching. If all of us were more safety conscious, especially with cars, we could work miracles.

The last, and equally important priority area for me is institutional change: the size and quality of transportation organizations and how they deal with one another. A major component of this is improvement in decision-making. Historically, decisions have often been made too slowly, too exclusively in Ottawa, and too often held up due to interdepartmental differences or to federal-provincial wrangling. We have improved on that score, but more needs to be done such as the delegation of a greater amount of decision-making to regional and local levels. The Ports Policy is an example of that. I would like to do the same for airports — at least for some of them. We also need improved liaison between my department and the government in general, with the Canadian Transport Commission, Crown transport corporations (CN, Air Canada, VIA, etc.) reporting to me so that we will be moving increasingly in tandem. The fine-tuning of public sector and private sector interests is also one of my preoccupations.

Another aspect of institutional change is increased federal-provincial co-operation and planning. While each will remain responsible for areas under its jurisdiction, the decisions must be mutually compatible. As taxpayers and voters, you have a right to expect us to plan and act together. We have witnessed the work of the Council of Ministers of Transport and the Canadian Conference of Motor Transport Administrators and are accelerating this, for example, through joint-planning and decision-making with Newfoundland and the maritimes on all aspects of transportation and with the west on the future of grain transportation.

To conclude, I am not at all persuaded that the country's transportation system is "in a mess," to quote one of my predecessors, or that we lack transportation policies. Generally, the system is in good shape, although, as you must be convinced by now, continuous improvements are needed.

I have, I hope, demonstrated today that major steps have been made, particularly in the last eighteen months, in that direction. And that more will come!

To make these improvements will take money of which there is as usual, too little. To that extent my vision, and yours, of the ideal transportation system will have to be tempered. Fiscal restraint is a federal priority, and I have to live with it. You can expect more tough decisions from me. And today I am sure I have managed to convince all of you of why these decisions are necessary.

But since I am an optimist I can also point to the bright side of restraint and tough decisions. If you have less money, you are forced to make sure that it is well spent. And that is an objective we can all support.

The thanks of the club were expressed to Mr. Pepin by the Honourable Barnett Danson, a Director of The Empire Club of Canada.

OCTOBER 8, 1981

The Real Dimensions of Canada's Contemporary Political Economy

AN ADDRESS BY Carl E. Beigie,
PRESIDENT, C.D. HOWE INSTITUTE

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Members and friends of The Empire Club of Canada: A few decades ago, Canada's economic policy was set by a handful of Ottawa bureaucrats at the Department of Finance and the Bank of Canada without fear of criticism from the academics. Today these bureaucrats still shape and make economic policy but more nervously. They now face an intimidating array of critics in the universities and from a number of research centres.

Examination of government policy and performance is now being channelled through such research centres as the Institute for Research on Public Policy, the Canadian Institute for Economic Policy, the Ontario Economic Council, the Canadian Energy Research Institute and the C.D. Howe Research Institute.

The latter institute is a private, non-profit research centre that focuses on short- and medium-term economic policy issues, particularly in the areas of budgetary affairs, inflation and unemployment, and international trade.

Our guest speaker today, Mr. Carl E. Beigie, has been associated with the C.D. Howe Research Institute since its founding in 1973 — first as its Executive Director and since early 1978 as its President.

Born in 1940 in Cleveland, Ohio he received his education at Muskingum College in New Concord, Ohio and at the Massachusetts Institute of Technology, where he carried out studies in economics at the Ph.D. level. Prior to his appointment at the C.D. Howe Research Institute, he worked for the Irving Trust Company in New York City where he became Vice President and International Economist, and for the University of Western Ontario where he was a lecturer in the Department of Economics.

Mr. Beigie has written a number of monographs and articles covering a wide range of topics, including the Auto Pact, Telecommunications Regulatory Policy Issues in Canada, and Energy Problems in Quebec and Canada. His most recent monograph, "Inflation is a Social Malady," has received wide recognition. He is also a frequent commentator and lecturer in Canada on current economic policy issues. Among his other activities, he is a director of Fraser Inc. in New Brunswick, of Zinor Holdings Ltd., and of the Canadian Foundation for Economic Education.

1981 has been an especially significant year in his life. First, he became a Canadian citizen at the first of the year and I know that you join me in offering him our sincere congratulations and best wishes for a full, happy and prosperous life in Canada. Second, he and his wife and two sons moved from Montreal to Toronto this summer where he has taken a one-year appointment at the University of Toronto as the Claude T. Bissell Visiting Professor of Canada-United States Relations.

Ladies and gentlemen, it gives me great pleasure to invite Carl E. Beigie to address us on the subject of "The Real Dimensions of Canada's Contemporary Political Economy."

MR. BEIGIE:

Economics is often referred to as the "dismal science," and my remarks this afternoon are unlikely to alter that perception. Over the next several months Canada is going to be faced with economic policy decisions that are as tough, and as fundamental, as any it has faced as a country during the post-World War II period. The most optimistic prospect I can offer in honesty is that Canada could have a brilliant economic future, but only if it accepts the disciplines of harsh reality and takes the steps necessary in the near term to restore reasonable balance to its economic system. To do so, the role of government must be shifted from the pursuit of political expediency to the pursuit of managerial wisdom and foresight. If this does not occur, the country faces not merely the spectre of a falling value for the Canadian dollar in foreign exchange markets, rising rates of unemployment and below-potential rates of economic growth. Canada also risks a further gradual erosion of individual freedoms as government is looked to for the provision of illusory security as the people give up the responsibilities of democracy because they are onerous.

Six years ago the Government of Canada embarked on a policy of monetary gradualism as a strategy for bringing inflation under control. The tactical instruments of this strategy included the temporary imposition of wage and price controls, restraint on the rate of growth of government expenditures, promises of government playing the role of a good (but not a leading edge) manager in its compensation negotiations with public sector unions, and most importantly, a commitment by the Bank of Canada that it would cut back in a gradual but determined manner on the rate of growth of new money creation.

Given that the basic purpose of this strategy was to bring down the rate of inflation, I believe it fair to

Carl E. Beigie,
President, C.D. Howe Institute

conclude that the conduct of economic policy in Canada over the past six years has been a failure. Inflation in this country is running at a faster rate than it was six years ago. Moreover, and more importantly, an inflation psychology has taken a very deep grip on the public, thereby virtually ensuring that costs and prices will continue to rise at disturbing rates well into the future. With Canadian inflation rates now running significantly higher than those in the United States, the prospects for the Canadian dollar, which was trading at a premium relative to the American dollar in the fall of 1975, and the prospects for Canada's industrial competitiveness internationally are not at all encouraging.

To say that the conduct of the strategy of monetary gradualism has failed in terms of its own policy objectives is not to say that the Government of Canada has made a mess of an easy situation. The economic and political environment at home and abroad for bringing down inflation has not been favourable. In particular, the lack of economic policy steadiness in the United States under President Carter not only left President Reagan with many of the problems he now faces, it also made Governor Gerald Bouey's job of staying on course with the Bank of Canada's tactics very much more difficult.

From the standpoint of an economic policy analyst, what has passed is past, except for the lessons that can be drawn for the future. My own view is that the discussion of this country's economic options would benefit greatly from candour by the federal government concerning what has gone wrong instead of from continued insistence that Canada has been doing quite well by comparison with other countries in terms of economic performance over the past six years. There have been several bright spots in this performance, but it is time to take an overall perspective and ask if doing better than the worst is adequate for a country with Canada's strong potential.

The basic question facing Canada, as preparations are finalized for a federal budget later this fall, is whether the strategy of monetary gradualism is faulty. Is it the tactical pursuit of this strategy that has been the cause of our current problems? My argument would be that the strategy of gradualism continues to make sense, but there are several constraints on the amount of time Canada has to make it work, particularly given the course of policy in the United States under President Reagan. Furthermore, monetary gradualism would have worked much better if the tactics chosen had been applied with much more discipline. The danger that now exists is that the federal government is going to do a policy about-face in its budget that could produce a pointless degree of further disorientation to the economy and the basic economic system.

The implementation of the strategy of monetary gradualism has been plagued with what I regard as errors in political-economy judgement originating, in large measure, from an unwillingness to be tough. For example, the income provisions of the controls program of the Anti-Inflation Board were simply too generous. To bring this point home, I would simply observe that if these provisions had been enforced throughout the period from the fall of 1975 to the present, wages for employees in private sector firms would be considerably higher than they are today, and so, too, would be inflationary pressures. What the AIB did, in effect, was to put a floor on wage gains that was set by the rise in the consumer price index, with a one-year lag, plus the historical rise in average worker productivity.

It is my contention that the AIB experience helped ingrain in the Canadian public mind the completely misleading notion that equity requires that incomes rise by a minimum of the rise in the CPI, irrespective of the specific causes of the price rise. This contributes to an "indexation mentality" that has a decidedly harmful effect on the essential flexibility of the Canadian economy at a time of fundamental change in numerous basic economic relationships. There is a certain intellectual logic to universal indexation at a time of high inflation. This logic relates to fairness considerations. There is no logic in economics to indexation using an upwardly biased estimate of inflation, namely the CPI. I would be supportive of budget actions that changed indexation from the CPI to a more accurate, and anti-inflationary measure of general price-level changes, an example being an index known as the GNP price deflator. At the same time, I think serious consideration should be given to expanding indexation to areas that have thus far been excluded, such as the calculation of taxable capital gains.

The Canadian indexation mentality will almost certainly aggravate inflationary pressures emerging from the recent oil and gas pricing agreement reached between the federal government and the producing provinces. I have long argued in favour of boosting domestic energy prices even more rapidly than has now been agreed to. Holding prices low discourages conservation and the development of new energy sources. It also encourages wasteful decisions in the use of the country's finite energy base. Canada's energy pricing policies have pandered to political pressures to shelter the general public from economic reality. And it has also revealed starkly that relations between governments in this country run on the basis of confrontation rather than co-operation. If these governments could have come to an agreement reflecting good economic judgement, prices would have moved quickly to their opportunity costs, with the proceeds being used to shield the most severely disadvantaged and to augment Canada's output-generating capital base above the ground to offset the reduction in the base below the ground in the form of non-renewable energy reserves.

My main point here, however, is a quite different one. Given the indexation mentality, income earners are going to expect compensation for the agreed rise in energy prices. If the Bank of Canada accommodates these expectations, more inflation is inevitable; if it does not, choosing instead to stick with a policy of toughness, then these expectations are going to contribute to an inevitable recession.

A second tactical feature of the monetary gradualism strategy was to make the total compensation package for public service employees comparable to that provided in the private sector. This tactic was sound in theory, but it has suffered in practice. One of the principal reasons why controls were imposed in 1975 was because of the large spread in settlements between the private and public (particularly provincial) sectors, and while the spread has narrowed considerably, public service compensation remains an issue that cries out for new approaches.

A third tactical feature in the post-1975 economic strategy for Canada was a pledge not to allow the share of the economy taken up by government expenditures to rise. This pledge has largely been kept, but the assumption underlying it has never been seriously challenged within government. That assumption is that governments' share of roughly forty per cent of GNP, a share that had grown sharply in the years prior to 1975, would be compatible with a restoration of overall balance within the economy.

I regard the government share of total Canadian expenditure to be a more serious policy concern than the size of the federal government's budgetary deficit, although I do not look upon the latter as unimportant. A fact that is not widely understood is that if we look at all governments combined in this country, the real level of their deficits — that is, after adjusting for inflation — has been going down recently, as has been noted by Professor Greg Jump at the University of Toronto's Institute for Policy Analysis. Federal borrowing does add to strain on financial markets, however, especially at a time of monetary restraint. I will come back to this point later.

The reason why government expenditure levels are important, at least in my view, is that they tend to reflect excessive consumption pressures on the country's currently available output. I hasten to add that many expenditures by governments are of an investment, or at least a quasi-investment, nature. They add, either directly or indirectly, to the economy's long-term ability to produce goods and services. Nevertheless, the *rise* in the level of total government expenditures in the 1960s and early 1970s added to the total amount of current consumption expenditures without there being a corresponding rise in the taxation revenues on permanent income sources. I do not want to become overly technical on this point, but I would ask you to bear in mind that using revenue from resource taxation to finance current operations of government (meaning consumption) is viable only so long as the resources are there to tax. This is one of the difficulties I have with setting off the revenue surplus positions of energy-producing provinces against the deficits of the federal and other provinces and concluding there is little for Canada to be concerned about in the government budgetary area.

The fourth and final tactic in the Canadian monetary gradualism strategy is the Bank of Canada's monetary policy. This has been the key element of Canada's anti-inflation strategy, and Canada's current inflation is a direct result of indecisiveness in the implementation of this policy over most of the period since the fall of 1975. Although the Bank and its chief spokesman, Gerald Bouey, have argued strongly in favour of the steady application of progressive monetary tightening, I would argue strongly that the practice of monetary policy has been far too loose in this period.

The Government of Canada and its agencies have talked discipline since the fall of 1975. But they have practised discipline only in the sense that they have acted to prevent a bad situation from getting much worse. Fighting inflation has *not* been the principal target of Canadian policy. In fact, highest priority in the economy has been given to maintaining growth and employment. The result of this priority ranking has been more inflation. My summary judgement of five years of Canadian economic policy, from late 1975 to late 1980, is that these years have been wasted.

Since late 1980, however, there has been a change in government attitude toward economic policy in this country. The tactics of monetary gradualism remain the same, but the implementation has been noticeably different. Reducing inflation has become a much higher-ranking policy goal, even to the point of risking a short-term rise in unemployment and a period of very slow, possibly even negative, economic growth.

It is not altogether clear to me whether this change in tone has been intentional or not. The one thing that is clear is that the Bank of Canada has become exceedingly serious in its determination to fight inflation. This has been signalled by its very tenacious fight to prevent the Canadian dollar from falling below eighty cents U.S. in foreign exchange markets. This has required that Canadian interest rates remain above those in the United States, and this constraint, in turn, has determined the rate of flow of new money that can be allowed into the Canadian economy.

The next six months are going to be an extremely interesting period in the Canadian and in the U.S. economies. Even though short-term interest rates have been declining modestly in recent weeks, they remain quite high even in real (after-inflation) terms. The longer these rates persist, the more convinced I become that the two economies are heading into at least a short-term recession that could become quite severe. Will that be allowed to happen, or will monetary authorities at the Federal Reserve System and/or the Bank of Canada be forced to ease off in their policies in the face of mounting political pressures? If they are, I am of the very firm opinion that Paul Volcker and Gerald Bouey would, and should, resign as men of strong principle.

The coming round of extreme political heat over economic policy has arrived first in Canada. The limitation of mortgages here to a maximum of five years has meant a large number of existing homeowners being hit with the consequences of high interest rates at re-financing time. Another signal of the government's new anti-inflation determination is that it has indicated that it has no intention to provide significant general relief for this problem.

But the most dramatic political crunch still lies ahead for the two governments. Recession means a significant reduction in new job creation, and unemployment is the single most important economic indicator on which the public judges the performance of government. Margaret Thatcher has thus far been able to stand the intense political heat caused by a very serious unemployment problem. Would Mr. Reagan and Mr. Trudeau be willing, and able, to tolerate anywhere near as much heat?

Given that both administrations are still in the fairly early stages of their mandates. they *could* survive a short, even if quite severe recession. Furthermore, my sense is that Mr. Reagan *would*, arguing to himself that the short-term pain of recession must be borne to achieve the long-term gain of more stable prices.

The political-economy judgements of leaders in any situation are very difficult to predict, and forecasts of what Mr. Reagan will do are particularly speculative because he has been in federal office for such a short time. It is quite different with Mr. Trudeau, although I find almost everything being written about the prospects for his government's economic policies to be classifiable as speculative.

My own sense is that Mr. Trudeau, as is the case with most Canadians, does not really worry very much about inflation in this country unless it is running well above the U.S. rate of inflation. He is concerned about the income distribution effects of inflation, however, regardless of what the inflation level is in Canada relative to that in the United States.

This perception leads me to the following conclusion as to what to expect in Canadian economic policy over the near term.

First, the federal budget is likely to be tough in the context of an economy headed into a recession. This is because the government is concerned about the clear trend that has emerged toward a widening in the inflation differential between Canada and the United States.

Second, within a fairly tough overall budget, there is likely to be a further shift in policy aimed at transferring after-tax income (and expenditure) toward the lower income groups in the Canadian society.

Third, there will be little easing away from, and possibly some further moves toward, shielding more and more Canadians from disciplines of the market place. This country has become philosophically dominated by the notion that stability in incomes is a natural right. The result has been a steady move toward turning Canada into a fixed economy, a point on which I will focus my concluding remarks.

Fourth, there will be little easing of interest rates in Canada until it can be done without a lowering of the Canadian dollar and without a widening in the inflation differential with the United States. I expect interest rates in the United States to continue along a slow and erratic, but reasonably steady, downward course for quite some time, and I expect Canada's rates to follow, but more slowly, basically the same path. In brief, I regard any notion that the Bank of Canada will be able, or will even want, to follow an independent "monetarist" course to be an academic debater's dream.

A fundamental reality about Canada, at least as I read this country, is that market-place solutions to economic problems are regarded as the exception rather than the rule. Government intervention is looked to for answers. This attitude could not be more diametrically opposite to the attitude of President Ronald Reagan, who I believe reflects the dominant philosophical orientation of the American people. From the earliest days after coming to Canada more than ten years ago, I have been struck by the logic of this country's suspicions about the market-place. The market does present a severe challenge to this country's goals of maintaining a separate, individual political sovereignty from the United States and of maintaining a reasonably strong economic viability for each of this country's regions.

I do not advocate market-place solutions to everything, and I think that this country has been on the whole, quite successful in achieving a balance in government intervention in the past. But there are four challenges to this balance that are becoming increasingly pressing on this country's decision-making processes.

First, for the first time in his nearly thirteen years as Prime Minister, Pierre Trudeau is confronted by a President of the United States who is as firmly committed to an ideological philosophy as he is. There is no question, in my mind, of one giving in to the other in the bilateral relationship. Unless some new thinking is given to how the differences in determined, yet diametrically opposed, ideologies can be reconciled among equals, the co-operativeness that is dictated by geographic reality and that is desired by the large majority of both publics will be in serious jeopardy.

Second, effective national policy in Canada is all the more difficult precisely because the easy course of market-place approaches is not really desired in this country. Co-operative federalism in this context is not in any way an empty phrase. The federal government must have the economic power to take a firm lead in this necessary alliance, and this is really what the ends of the current constitutional debate are all about. But Ottawa is allowing the perception to grow outside Canada that national policy means central Canada imperatives. I am convinced that the inability to move quickly on the essence of the constitutional issues is doing serious harm to this country's ability to take full advantage of a very exciting economic future.

Third, I have been impressed with the skill of Ottawa officials in identifying special interest motivations that underlie most of the policy arguments it receives. This skill can provide the basis for strong, balanced policy actions. But it is becoming increasingly apparent that Ottawa has taken on the colouring of being a special interest in itself. It has become far too closed and rigid in its attitude toward outside policy analysis and advice, and error in economic policy during the 1970s is a prime case in point. Unless this attitude can be changed through a top-down commitment, I am concerned that those mistakes will be repeated.

Fourth, and finally, the role of the private sector is essential to the preservation of true democracy in a society, regardless of its attitudes toward the role of markets. Too many voices in the private sector in this country, whether they come from business, labour, or other sectors, have become either transparently obvious in their special-interest pleading or they have been willing to be stilled in return for government discretionary favours. For now, Canada still has the economic largess to keep a quiet, comfortable life sustained without suffering unduly. But a quiet, comfortable life today is going to be achieved at the expense of future generations of Canadians.

The real issues in Canada today are not merely economic. They involve the very essence of democratic freedoms and liberty, and I can only earnestly hope that the private sector in this country can continue to generate people with the foresight and courage to be prepared to sacrifice short-term economic benefit, if necessary, to ensure that long-term individual freedoms will always be a right and a duty of being a Canadian.

The thanks of the club were expressed to Mr. Beigie by Ronald Goodall, Treasurer of The Empire Club of Canada.

OCTOBER 15, 1981

Energy and a Sense of Balance

AN ADDRESS BY C. Geoffrey Edge,
CHAIRMAN, NATIONAL ENERGY BOARD

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Members and friends of The Empire Club of Canada: During the past two years Canada's business and political life has been dominated by prolonged and vigorous debates on three issues of great importance to Canadians — the constitution, the economy, and the National Energy Program.

These issues, some more than others, seem to have divided Canadians and their governments to a point where, at times, the structure of the nation appears to be threatened.

Today we will focus on energy where, it is said, the debates are producing far more heat than light.

The National Energy Program announced in the Finance Minister's Budget of October 1980 brought back into the national spotlight the National Energy Board. This board has two main responsibilities given to it under the National Energy Board Act of 1959, namely, to regulate specific areas of the oil, gas and electrical utility industries in the public interest, and to advise the government on the development and use of energy resources. The board also, on its own initiative, has the power to hold inquiries into particular aspects of the energy situation and prepare reports for the information of the government, of parliament, and of the general public.

Interesting projects in which the board has been involved in recent times have been: the Alaska Highway Natural Gas Pipeline; the Trans-Mountain Pipeline to carry Alaska oil to the U.S. midwest; the Norman Wells Pipeline; and the Trans-Quebec and Maritimes Pipeline. Last month it released its comprehensive report on energy supply/demand after extensive public hearings across Canada.

So although the board has no claim on being the main mover on energy policy formation — which remains the prime responsibility of the Minister of Energy, Mines and Resources — the board has a certain degree of influence in the shaping of energy policy.

Today we are honoured to have as our speaker the Chairman of the National Energy Board, Mr. C. Geoffrey Edge. Born in Wilmslow, England he obtained a Bachelor of Science Honours degree in economics from the University of London. After an appointment as a tax officer with the British Civil Service, he served in the Royal Artillery from 1939 to 1946. He rejoined the British civil service after the war and then came to Canada in 1951 to work for Canadian Industries Limited. He later joined Canadian Chemical and Cellulose Company Limited, serving in various senior capacities with it and its related companies and subsidiaries, rising to the post of Vice-President, Corporate Development in 1969.

He was appointed a member of the National Energy Board on January 1, 1971 rising through the positions of Associate Vice Chairman and Vice Chairman until his appointment as Chairman in November 1980.

Ladies and gentlemen, it is now my pleasure to invite the Chairman of the National Energy Board, Mr. C. Geoffrey Edge, to share with us his views on how Canadians can best take full advantage of the abundant energy resources available in this country.

MR. EDGE:

Ladies and gentlemen: It is an honour and a privilege to have the opportunity to express one's views before this club. The Empire Club is, by its nature, interested in the broad and fundamental aspects of the unfolding story of this country and its international relationships, while I, by the nature of my position, must avoid any narrow partisan position upon currently contentious issues of policy, but rather seek to focus my words upon the underlying essentials that emerge from our geography and history and delineate the options that will shape our future. Both you and I seek the long perspective and balanced view.

One of the most perceptive analyses of Canadian potentials and problems ever published was André Siegfried's 1937 book *Canada*. Part of Siegfried's virtue was that he was a visitor, unencumbered by preconceptions and biases which a native Canadian cannot avoid absorbing from earliest childhood. I cannot hope to emulate Siegfried, but his example emboldens me to suggest that a dispassionate view of Canada and Canadian problems may be easier for an immigrant such as myself, even one who arrived more than thirty years ago, than for those who were born in this country.

To either the visitor or the immigrant to the New World, what is perhaps most astonishing is the abundance of natural resources, the forests, the minerals, the energy resources. In energy then, we have vast hydro-electric resources, uranium, coal, natural gas, tar sand oil and an untapped potential of hydrocarbons in the Arctic. Canada shares this characteristic with other parts of the North and South American continents.

Where Canada differs from the rest of this hemisphere most markedly is in the political institutions that have developed in this country. Canada is far from being the only federal state in the Americas, but

C. Geoffrey Edge, Chairman of the National Energy Board, with the President, BGen. S.F. Andrunyk

it is unique in that it did not separate from its founding empire by revolution, but instead evolved peacefully and with continuing friendly ties to its European founders as the pioneer and prototype constituent member of the British Commonwealth of Nations. In addition, in the world at large as an independent and founding member of the League of Nations, and later of the United Nations, and by its part in the development of the General Agreement on Trade and Tariffs and of the Law of the Sea, Canada has demonstrated that a firm determination to be an independent nation does not preclude an equally firm determination to recognize and encourage the interdependence of nations. This sense of development in peaceful and constructive continuity in external matters, disregarding for the moment the many qualifications which will leap to your minds, is, I submit, the external expression of the essence of Canada.

That essence is perhaps easier to discuss in external matters than in our internal history, not least because each successive internal crisis so engages the passions of the participants and colours the approaches to further problems as time goes on. Many of these problems stem from another phenomenon uniquely Canadian. That is the arrangement by which the Fathers of Confederation, and succeeding generations, have placed ownership of natural resources with the provinces, while the main levers controlling international and interprovincial trade are in the hands of the federal government. Our particular mix of checks and balances is particularly our own. While it has meant that economic problems can rarely be answered by optimum solutions, which may at least occasionally be approximated in unitary states, the varied interests of the very different regions of this vast land have usually, in the long run, been accommodated in the working out of the compromises by which our country survives problems even if it does not wholly resolve them.

What is astonishing is not only that the country survives, but that it ever came into existence. It is on the face of it an economic nonsense, a geopolitical absurdity. How can we justify in logic an independent country one hundred or so miles wide, in terms of ninety-odd per cent of its population, stretched along the three thousand mile northern flank of one superpower and, in its northern extremities contiguous with the other, the Soviet Union; a country long regarded by one of its founding nations as "quelques arpents de neige," and by the other as a convenient bag of bargaining considerations in negotiations with France and later with the United States. How could such a country survive containing "two nations warring within the bosom of a single state"; whose geographic and economical paths were north and south, not east and west; to whose people, in each isolated region of the country there is as strong an affinity and personal network in the corresponding U.S. region as in other parts of Canada? To many Haligonians Boston is familiar and dear, but Toronto is remote, and anathema. Vancouverites shop in Washington, holiday in Las Vegas or Honolulu, trade with Japan, and sometimes seem to hear nothing and care less about what happens across the Rockies. A Francophone will more readily find conversation in New Hampshire or in Louisiana than in Alberta. How indeed have we survived? And now, looking at the lightning and hearing the thunder that fill the encircling gloom, why should we hope and strive to continue?

To sketch an answer to the question with regard to the past is fairly easy. In a sense, it is a series of negatives, of reactions to things we did not want to be. I offer no new perceptions, but quickly recapitulate what we all know. When the American revolution broke out, the northern fringe of British possessions in North America did not want to revolt or to engage in the new-fangled American republicanism, so they abstained, and drove out the Revolutionary Army when it attempted to add the Canadas by force to the American experiment. The populace was far from unanimous, but on balance the northern fringe was against revolutionary change. And its population was increased and enriched by the influx of those in the Thirteen Colonies who felt likewise, and came to join us.

Again, in the War of 1812, there were those who thought it not a bad thing to become Americans, but the view did not prevail. There was a fairly strong movement in the 1840s for joining the United States because that seemed an attractive way out of the depression then besetting Canada. As Arthur Lower put it in his great book, *Colony to Nation*, "The Annexation squall blew out as rapidly as it had blown up, and for the same reason: hard times had brought it on and returning prosperity dispersed it." As has so often happened, a strong manifestation of the pull toward north-south integration, or continentalism, was followed by a period of fear of the powerful neighbour, and a drawing together of the diverse elements of Canada. By the end of the Civil War, the United States government was highly unfriendly to British North America — not without reason — and had a large, victorious and unemployed army. The Fenians were trying to use the United States as a base from which to avenge Ireland at the expense of the Canadas. If the British North American colonies were not to be gobbled up piecemeal they had somehow to surmount their dissensions about race, religion, trade and local interests; they had in fact to make the leap from a virtual breakdown of their various governments to a larger unity.

That they achieved it is little short of marvellous. Most nation states have emerged from conquest, royal marriages, and agonizing centuries of internal and external warfare. To prove that men and women whose loyalty is to some small area can come together, and by reason and accommodation erect something larger, yet something in which the founding parts are not lost or submerged, was an almost unprecedented act. The Swiss had done it, within their fortress enclave. The Thirteen Colonies had done it, having by revolution divorced themselves from their past, but they had then undergone the Civil War to reaffirm their continuation as a nation. Now a group of understanding men from the Atlantic colonies and the Canadas proved that it could be done without revolution, without geographic unity, recognizing that the alternative was anarchy, depression and absorption.

When one looks at this past we share, and realizes at what costs and pains we have come together and stayed together, when one thinks of how we have time and again emerged from the gloomiest of prospects, one cannot readily despair of our ability to find a mutually acceptable way through our present difficulties.

It is a costly way of life. At almost every stage of our history, some region or other has rightly calculated that in then existing circumstances it would be economically better off in closer connection with the colossus to the south than in continuing the Canadian experiment. More recently, some people in some regions have felt that those regions could have a better life as separate countries. Thus far, Canadians have on balance felt that staying together, and staying independent, is worth the price. There are no simple solutions to our problems, but so far we have managed to find the policies and the will to seek out and endure the least objectionable among imperfect alternatives. I for one believe that we shall so continue, that in the broad currents of history we will be carried along together, remaining one nation while multiplying and strengthening our ties with our near neighbours and with the other political and economic aggregates of our increasingly interdependent world. The logic of our time leads surely to cohesion, not disintegration. The same reasoning supports our continuation as a nation, a nation created almost in defiance of logic. I cannot believe we will lack the skill and determination to continue together to develop our unique and paradoxical country.

Recent events encourage this view. When first I began to think about what I wanted to say to you, the foremost on my list of concerns was the federal-provincial deadlock on energy matters. Then at the beginning of September came the announcement of the federal-Alberta agreement about oil and gas pricing and revenue allocation, followed by one with British Columbia. These agreements, we may hope, may be followed by accommodations between the federal government and the other hydrocarbon-producing provinces, which, whatever their other merits, will put an end to the uncertainties and delays which beset the petroleum industry, and other affected industries and services, during the eighteen-month deadlock. Now the hydrocarbon industries, and those who finance and supply them, will know what the new rules are, and will be able to plan accordingly.

It is not my purpose or function to comment whether these rules are good or bad; for me they are now certain and visible. The point is that, after great travail, they have been agreed on and we have that basis from which to proceed. As this audience well knows, development investment decisions reflect the degree of confidence existent in the financial community, and that degree of confidence cannot be high if the rules are unknown. What is not entirely clear is whether industry will be fully motivated by the new rules.

No doubt the rules will change to reflect changing circumstances, and no doubt each of you has ideas as to how they could be improved. That is as it should be, and our system of government provides means of adjusting the rules once the basic framework is established. That, it has now been demonstrated again, can be done in this country, and will be done.

I am not for a moment suggesting that all our problems are over, or that all of them are within Canadian control. Least of all do I suggest that everything is lovely in the energy garden. Much of what happens in Canada about energy reflects events outside Canada and beyond Canada's control. The great world-wide shifts in economic power, starting with the exponential increases in world oil prices in the mid-1970s, have brought us into an era of confusing economics and confused economists. The great shifts in wealth and power in the world have in a sense been reflected in microcosm in Canada. We have tried to isolate, or at best to insulate ourselves from the extremes of world price increases, and within Canada have sought to moderate the pace and extent of the shifts of wealth and power to the oil-producing areas of the country. We cannot wholly or permanently isolate Canada from world oil price changes. Neither can we prevent or forever delay their counterpart developments in the Canadian energy industries. The recent federal-Alberta agreement implicitly reflects these facts.

OPEC is frequently blamed for the rapid rise in international oil prices which have been a major consideration affecting the pricing of Canadian oil. But the OPEC control over world oil production and pricing is perhaps the reflection rather than the cause of growing energy shortages. However, recent events have demonstrated that supply and demand for oil are more price sensitive than some economists believed. High prices have caused conservation and substitution, while recession has also reduced demand. At the same time high prices have encouraged more production of oil outside OPEC. It doesn't take very much of a percentage swing to turn an oil shortage into an oil glut. What has arisen in recent months has been what might be called a mini-glut, sufficient to cause OPEC, with much bickering, to refrain from price increases, some OPEC members to reduce prices, and Saudi Arabia to reduce production as well as to use its great influence to hold down prices.

It would be premature if not clearly wrong to take this to signify the end of oil shortages. A resumption of higher levels of economic activity or any improvement of the energy-purchasing power of the increasing populations of the Southern Hemisphere could quickly turn mini-glut into shortage. More importantly, the OPEC countries could again agree to reduce production. These are elementary economic factors. Since what is essentially important is the volume and price of oil purchased in the Middle East, the adequacy and security of oil supply may be determined by the political and strategic problems of that region. The eminent expert on international oil matters, Walter Levy, has put this succinctly in the periodical *Foreign Affairs* for Summer 1981, and I quote:

> Contingencies could arise from the Soviet threat, regional fighting, internal upheavals, terrorism, the festering Arab-Israeli issue, or a sudden shift in the production and pricing policy of one or more OPEC countries. It is nearly certain that we will have to cope with one or even several of these contingencies in the years ahead.

The realism of this prediction is illustrated by the tragic events in Egypt earlier this month. Mr. Levy's "we" is primarily the United States, but in effect embraces the western world including Canada. Returning to the Canadian situation, we do not know what mix and balance of supply, demand and price will exist from year to year, but we do know that hydrocarbon resources are finite, that the cost of finding additional supplies is rising, and that alternatives to oil in all of its uses are not yet available at comparable prices. Therefore, I submit, we must conclude that the probable long run trend of hydrocarbon and other energy supply prices is upward, and sharply upward.

Canada should be capable, in the future, of physical self-sufficiency in energy terms. As I have said, we cannot isolate ourselves from the effects of world energy price movements. But how fortunate we are to have the degree of self-sufficiency of which we are capable, given our hydrocarbon, coal and hydroelectric resources, and our highly efficient nuclear power production techniques. This does not imply that we should ignore research and development of other potential energy sources, but we do have at least a period of relative net self-sufficiency in which to research and plan, while enjoying some degree of shelter from the worst impacts of world energy shortages and crises.

Do not misunderstand me: my reference to potential net energy self-sufficiency is not an assertion that we will be self-sufficient in conventional sweet crude oil in this decade. We will for some time need to continue to import substantial quantities of crude oil to meet the requirements of the eastern parts of Canada, especially in respect of transportation and domestic heating fuels. It remains to be seen whether we can develop the Atlantic offshore hydrocarbon reserves, those in the Arctic, and oil from tar sands, fast enough and in sufficient quantity to meet this need over the longer term. There is, however, little prospect that the conventional oilfields, chiefly in Alberta and Saskatchewan, will be able to increase production to meet all our requirements pending the development of these new sources of oil. So we will continue at least for some time to be dependent on imported oil, at world prices, to meet a vital part of our requirements. We should also bear in mind that we have an obligation as a member of the International Energy Agency to assist in meeting international supply emergencies arising out of crises such as the Arab embargo of 1973-74, the Iranian revolution, and the Iraq-Iran war.

We cannot separate ourselves completely from the problems or the prices of world oil supply. Where we are fortunate is to be dependent on actual imports of oil only to a limited degree, unlike Japan and some European states. One of our problems is to determine what measures are needed to encourage conservation, better utilization of oil and increased supply to offset that degree of dependence on imported oil, and to what extent the related benefits and costs can be brought into balance.

Internally, we have as you know many other energy problems, for each of which we must somehow accommodate divergent interests, assess the costs of alternative responses, and do our best to reach balanced solutions. Although these problems have many aspects, they may be broadly grouped as questions of pricing and questions of supply. They are all, of course, interrelated, and if I were to attempt to discuss all the relationships we would be here for a very long time. Let me then select a few samples.

On pricing, I have already touched upon the two most important, the inexorability of price increases in some degree of relationship with world prices, and the re-establishment of a working basis of agreement between Alberta and the federal government. A schedule of proposed future prices is outlined in that agreement, but the details, the adjustments to changing circumstances, the implications for the cost of other goods and services, the ultimate effects on our ways of living, will only become apparent over time.

Perhaps you will bear with me for observations on two points. The mechanisms of oil pricing are extremely complex. Because they are hard to understand, it is tempting to look for simple explanations. It is also tempting to look for scapegoats, either the oil producing areas of the world, or the oil marketing companies, particularly the multinationals. We have seen much of both in Canada.

The manifestations, especially in Alberta, of the wealth and power recently accruing from large petroleum reserves have caused a distressing amount of criticism, ranging from envious to hostile, in other parts of the country. It would seem more reasonable to rejoice that the new wealth is accruing to any part of Canada, rather than, as in less fortunate countries flowing wholly to foreign sources of oil. Inter-regional rivalries and jealousies are not new to Canada, are perhaps inevitable, but surely there is a need for moderation, balance and even satisfaction in the prosperity of once poor regions which cannot fail to be reflected in demands for the goods and services of the other parts of the country. Especially is this so when one keeps in mind that Alberta has never insisted, as it might have, that it receive the full equivalent of world prices for its oil and gas.

The multinational oil companies are well able to speak for themselves, and I cannot and do not wish to appear as their advocate. I do, however, advocate fair play, and, therefore, have been distressed at a noticeable tendency in the media to accept as proven various allegations of past impropriety, if not law breaking, which have been published without the oil companies having been given an opportunity to meet the allegations. That opportunity is now to be given before the Restrictive Trade Practices Commission, and I suggest that in simple fairness, judgement should be suspended until all the evidence is in and the competent authorities have reached decisions on that complete evidence. If wrongdoing be established, by all means let the appropriate sanctions be applied. Meanwhile, let it also be remembered that the multinationals have, in the course of pursuing their shareholders' interests, invested very heavily indeed in the development of Canadian petroleum resources to the benefit of Canada as well as to themselves. A sense of balance would suggest that we cannot appear to condemn them without trial and then expect them to be whole-hearted in helping us to solve our energy problems.

The temptation to simplify the complexity of petroleum pricing is pervasive, and I am not exempt. To reduce it almost to absurdity, consider the mythical case of the man who has gone out and dug a well and found a barrel of oil. He sells it for the best price he can, whether in an open market or one controlled by the government. He pays the relevant royalties and taxes. Then he considers what to do with the proceeds.

If he has not made what he perceives is a reasonable return on his investment, he may decide to spend the money, that is, go out of business, or invest it in another kind of enterprise. Even if he has received a reasonable return, but is not confident about the stability of the environment of rules in which he is working, he may decide to stay in the same business, but to drill his next well somewhere where the rules are more to his liking. If he perceives that he can hope to achieve a higher return on his next barrel produced in some other area, he may decide to put his money there, even if the environment is more risky. If both the prospective return and the rules are more attractive elsewhere, he will be more strongly moved to go there.

In recent years, quite a few oil explorers and developers have decided that the returns and the rules in Canada have been less attractive than those elsewhere. It is no bad thing that Canadian exploration efforts should be diversified: some of our Canadian companies have done very well in the North Sea and in the U.S. and elsewhere. But if the outward movement of exploration and development money and skill becomes so large that activity in Canada falters and shows signs of halting, we have a problem. Once again, the recent establishment of some of the new basic rules, and of the outline of a price schedule for some years ahead, gives reason to hope that that problem is being dealt with, even though the explorer may not receive as high a price for his next barrel as he might expect elsewhere. We can hope that, on balance, the Canadian scene will be attractive for petroleum exploration and development.

This balance of attractiveness for capital is never clear, never static, because changes are always going on in the alternative environments and also in Canada. We do not yet know the actual effects of recent events, and legislation implementing the National

Energy Program has yet to be put in place and assessed by those who make the investment decisions. I have not attempted to relate to this simple tale the complexities of foreign exchange rates, interest rates, levels of economic activity, inflation rates, technological developments, project lead time and all the other relevant factors. Even so, the least one can say is that we are again moving, and moving in the right direction.

I wish now to touch briefly on a few matters, other than price, which affect our domestic production and supply of energy. In all of these my purpose is to point yet again to the need for a sense of balance, an accommodation of differing viewpoints which will enable us to cope with our problems.

A broad example is the debate between those who advocate conservation and those who support development of new energy supply. Conservation not only minimizes the use of scarce non-renewable resources, but also avoids the adverse environmental and socio-economic impacts which are sometimes associated with the development of them. It is clear that conservation is a primary goal of federal and provincial energy policies, and has strong and vigorously expressed public support. However, in our climate, and with our distances, there are limits to what can be achieved by conservation. Development of new supplies of energy is also needed if we are to continue to have a healthy and viable economy. In finding the proper balance point along this spectrum, careful and improved analysis of costs and benefits is essential.

A much more controversial and complex aspect of energy development is the effect on the environment. Some environmental problems are within our own control; others take us into international relationships. For instance, it is clear that in Canada new thermal electric power plants which do not conform to environmental standards and which generate acid rain are not likely to receive government approvals for their construction. It appears that the present United States administration may follow a less rigorous path and our lakes may succumb to acid rain generated south of the border. Vigorous Canadian diplomatic action has thus far not been successful in solving the problem. Pollution of the atmosphere and of the world's waters, by products of combustion and by spillage of toxic energy-related substances, take us into multilateral international considerations where the essential for any progress is both to reduce the pollution and to find an acceptable balance of interests.

Within Canada, perhaps our most difficult environmental problem is to reconcile energy development with the fragility of the Arctic eco-systems. The views of the many public interest groups expressed at the Berger inquiry, and the evidence adduced before the National Energy Board that the pipeline to carry Alaska natural gas should be routed along the Alaska Highway rather than along the North Slope of the Yukon and up the Mackenzie Valley, demonstrated that those concerns are recognized and carefully weighed.

So too are the environmental concerns of other parts of the country, to the extent that there are now vast arrays of federal, provincial and territorial laws and regulations to be coped with before any new energy supply can be brought on stream. There are often overlapping provincial and federal areas of regulation. One sometimes wonders how major energy developments survive such a formidable array of obstacles. The National Energy Board is working with the provinces to reduce the delays and duplications inherent in the overlap. Thus far only in one case, that of the Northern Pipeline Agency, which is supervising the construction of the Alaska Highway pipeline, have federal, provincial and territorial interests been combined into a "one-window" approach. A sense of balance is needed between those scientists who would take unlimited time to assemble all relevant data, and those developers who would press on without enough assessment of risks and provision of remedies: that balance has to be struck at some point, where necessary energy developments can proceed once there is sufficient evidence to give reasonable assurance that environmental impacts can be contained or mitigated to acceptable levels. Changes in legislation and regulation may be needed to facilitate decisions in principle being made before completion of the comprehensive and voluminous detailed environmental studies. These would still have to be completed and to be taken fully into account before construction is allowed to begin. This could prevent waste of time and a great deal of money in preparing applications which may be rejected for non-environmental reasons, while allowing planning to proceed on a conditional basis for projects which qualify for approval subject to further environmental examination. More and more, companies are refusing to spend many millions of dollars preparing applications for public hearings without getting some indication that it is worthwhile to spend more money on delineating the more detailed aspects of the proposals. A sense of balance is needed if necessary and desirable energy supply projects are to take place.

A similar and even more emotion-laden problem is the interrelation between energy development projects and the claims of native peoples to land settlements and aboriginal rights. Again, discussions of such interrelations were extensive in the Berger Inquiry and Report. There can be no doubt that it is important to all Canadians that these claims be justly dealt with, but by their very nature the claims seem difficult to resolve quickly. Should all energy developments to which native claims are relevant be held up pending settlement of those claims, or can we devise some manner of allowing the energy development to proceed, without prejudice to such settlement, but equally without prejudicing the timely provision of needed energy supplies to other Canadians? Again, only a sense of balance can provide an answer adequately responsive to the interests of all Canadians.

Another area of longstanding environmental concern is the relationship between rights of way for pipelines and power lines and the best use of land traversed by the rights of way. We have learned much about conserving and restoring topsoil and drainage where agricultural land is concerned, and no doubt other measures will have to be developed to reduce or remedy adverse effects of pipeline construction on the land traversed. In the last analysis however, pipelines, like canals and railways and highways, by their nature must proceed with reasonable directness from their origin to their destination, and private or local interests, while they should be given full and generous consideration, cannot be allowed to frustrate the whole scheme of the transportation facility.

As a footnote to my long catalogue of problems, permit me to cite as an example of imbalance and immoderation some of the descriptions one hears and sees of Petro Canada. I have no interest in that company, other than as a taxpayer and citizen. It may well be that this company, and some of the privileges and powers accorded to it by legislation, deserve criticism. Most countries which have major energy interests have state enterprises active in the oil and gas business, the United States being the principal exception. Some of these go back a long way: for example, British Petroleum, Elf Aquitaine in France. Some, like Pemex in Mexico, and like an increasing number of state companies in OPEC states, have a monopoly of the petroleum industry. From these the activities of state oil companies range along a spectrum to corporations in which the state is merely a minority shareholder.

Petro Canada falls somewhere in the middle of the spectrum. People sometimes forget the sound business reputation of the Crown corporation Polymer, now Polysar, or of such provincially owned utilities as Ontario Hydro and Hydro-Québec which have well earned world-wide reputations for excellence.

You may well say that I have been identifying energy problems without pointing to solutions to them. What I have been trying to do is to point out that solutions to them, in the complex political, economic and social structure of Canada, are not easy to come by, and are unlikely to be achieved if one's objective is to optimize the position of any one special interest group. Self-restraint by federal and provincial governments, by consumers and producers, by conservationists, environmentalists and energy developers, will be needed if compromises which can command general acceptance are to be reached.

It is sometimes hard to be optimistic on this score. Many are at present pessimistic, and they have many reasons to feel so. Underlying our economic and constitutional problems is a sense of unease about the major shift in the social mores which pervades the western nations. The work ethic is no longer the driving force it once was nor do religious codes of conduct govern as many people's lives. Rather we live in a self-centred society, geared to what is sometimes called the "me" generation. Corporations take exorbitant profits where they can. Wage increases are no longer tied to increases in productivity, but are demanded, whether in direct pay, cost of living adjustments, so-called fringe benefits, or reduction of work, as a matter of right regardless of whether the economy can support the rising expectations. The world owes us an ever-improving standard of living in return for an ever-decreasing amount of effort.

There is an uncomfortable element of truth in all that, but it is not the whole story. Every generation as it ages feels somewhat like that about the following generations. You may recall the little bit of doggerel which runs:

My grandad, viewing earth's worn cogs,
Said things were going to the dogs;
His grandad, in his home of logs,
Said things were going to the dogs;
His grandad in the Flemish bogs,
Said things were going to the dogs;
His grandad, in his old skin togs,
Said things were going to the dogs;
There's one thing that I have to state —
The dogs have had a good long wait!

I am not a Pollyanna, nor do I wish to be a Cassandra. The latter would be the easier choice, if one had to choose, at this time of constitutional conflict, unprecedentedly high interest rates, serious unemployment, the looming possibility of a foreign exchange crisis, Quebec separatism and western alienation, as well as the manifold difficulties of our energy situation. I see no simple way through any one of these problem areas, let alone all of them. But if one considers our history of overcoming threats and surviving crises, depressions and bitter inter-regional disputes, one is amazed at how each time we have found the fortitude, the willingness to compromise, the sense of balance that has enabled us to endure, to overcome, and still to achieve a high standard of living and a peaceful way of life.

In this light of the past, I suggest to you, Canadians do not have reason to despair of the future of this country, but much reason for faith that our capacity to survive and together to improve our lot is still with us, still vital, still full of promise. One could be even more optimistic if we could find the key to make co-operative federalism work and work well and at the same time have all segments of Canadian society restrain themselves from seeking too great a reward at the expense of others. These are very major hurdles to overcome. But if we can succeed in overcoming them and, considering our relatively abundant energy, mineral and forest resources, we could indeed begin to move towards a promising future.

The thanks of the club were expressed to Mr. Edge by Robert H. Hilborn, a Past President of The Empire Club of Canada.

OCTOBER 22, 1981

Towards a New Business-Government Understanding in Canada

AN ADDRESS BY Stanley C. Roberts,
PRESIDENT,
THE CANADIAN CHAMBER OF COMMERCE

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Members and friends of The Empire Club of Canada: It is my pleasure to welcome to our podium today Mr. Stanley C. Roberts, who in his capacity as President is the top administrator and chief spokesman for Canada's largest business association — the Canadian Chamber of Commerce. Its membership of over 130,000 includes a "grass roots" network of some six hundred community chambers of commerce and boards of trade, three thousand corporations and more than sixty trade and professional associations. It is indeed an interest group with a tremendous clout.

A westerner by birth, Stanley Roberts had a rather unique upbringing. He received his early education in the entirely French-speaking village of St. Adolphe near Winnipeg. Of Welsh and Ontario-Irish stock he was the only non-French student to attend Grades 1 to 12 in the local school where he became fluent in Canada's two official languages. As a boy soprano he sang in the Roman Catholic church even though his family were members of the United Church. At the age of twelve he bought his first head of cattle with proceeds from various business ventures. He has been a cattle owner ever since, importing one of Canada's first Charolais.

He received his post-secondary education at the University of Manitoba majoring in agricultural economics. He also has a degree in Business Administration from the University of Western Ontario.

While engaged as a full-time farmer in Manitoba, Stanley Roberts was elected for two successive terms as a Liberal member of the Manitoba Legislative Assembly and for two years was the party's acting leader. It was during this period that he gained the reputation as a leader of young people which later led to his appointment as Vice-President of Simon Fraser University. This was in 1971 when the University was known more for barefoot anarchy than academic respectability. Mainly through his efforts, within a year of his appointment, the staff and the students were working in total harmony — presumably with their shoes on.

In 1977 Mr. Roberts became the President of Canada West Foundation — an independent, non-political and non-profit organization with the goal of strengthening the west within a healthy Confederation.

He was appointed President of the Canadian Chamber of Commerce just about a year ago. The Chamber's aim is to initiate and promote economic and social goals for Canada's progress, and to further public understanding of our economy and the importance of national amity. I can think of no one more qualified to disseminate those aims than Stanley Roberts.

Ladies and gentlemen, please join me in giving Mr. Stanley C. Roberts a warm welcome to The Empire Club of Canada.

MR. ROBERTS:

Mr. Chairman, distinguished head table guests, ladies and gentlemen: Thank you for those excessively kind words of introduction. It is clear that "Truth in Advertising" is not the topic for today's meeting.

Whenever I encounter an introduction as eloquent as the one we have just heard, I try to recall the caution given to me by my wife several years ago, to the effect that inflated titles mean very little. She reminded me that the man who is today referred to as an agronomist was, only two generations ago, known as a farmer and, ten generations ago, as a peasant. To leave you with a balanced picture, however, I should mention that she is always quick to add that, during my days as a rancher in Manitoba, I was — at least to her — a man outstanding in his field.

During those halcyon days on the ranch, I never imagined for a moment that I would one day receive an invitation to address this, one of Canada's most prestigious audiences.

This past weekend, I tried to explain the importance of today's meeting to my inquiring young grandson, who likes to keep tabs on my activities. As soon as I mentioned the name of this group, the Empire Club, he agreed that it was an honour to have a chance to address you, but he wondered why you would agree to meet now, when your members were so busy calling balls and strikes at the World Series.

I managed to explain the difference between empires and umpires to him, but I realized that he hadn't been far from the truth. This is an audience that is well equipped to judge the "strike zone" for speakers and that fact, coupled with the knowledge that the Chamber's entire executive committee would be in the room, demanded that I go to bat today determined to score.

I will do my best to leave you with a message of substance — but perhaps not the one some of you may have been anticipating. Having been with the Chamber for less than a year, I still possess enough objectivity to recognize that some of your members

Stanley C. Roberts,
President,
The Canadian
Chamber of Commerce

may have steeled themselves for what is known in some circles as "a Chamber of Commerce speech" — a ringing defence of the free enterprise system. Well, although the system is important and does require defending from time to time, that is not my intention today.

Others in this audience might expect — with good reason — that I would devote my time to twenty minutes' worth of all that is wrong with André Ouellet's proposals to amend the Competition Act. However, the Chamber has developed an audio-visual presentation and assembled a roster of experts who can do that job (and will, upon request) far better than I. Besides, if I ever got going on that topic, I fear we'd be here all afternoon.

I suspect that some of you might be anticipating another Stan Roberts speech on regionalism and western alienation, punctuated by bursts of what has become known as "fed bashing." Perhaps your last recollection of me was as the outrider for the posse from the Canada West Foundation, or as a budding politician, the next career that *Maclean's* magazine and others apparently decided to pick out for me.

None of the foregoing scenarios is correct, and I hope you won't be too disappointed. Today I'm here to defend no single sector, to discuss no single bill and, least of all, to criticize any party. I am here to propose a cease-fire in the ongoing skirmish between government and business (in which, admittedly, I and my associates have played a role) and to call for a new significant joint effort to reopen the dialogue between the private and public sectors in Canada.

It is not a casual offer, nor merely a message conceived to fill the space you have so kindly accorded me on your agenda today. It will, I hope, be seen as a serious and well intentioned effort to establish a badly needed understanding between business and government in the interests not only of the players on both sides, but of the nation as a whole.

In the past half-dozen years, and notwithstanding the fine efforts and intentions of various individuals on both sides, the level of understanding and communication between business and government, especially at the national level, has not been satisfactory. The reasons are several, some born of fact and others of perception, and perhaps a brief review of certain of them would be useful.

If asked to select the point in time at which the "cold war" began, my choice would be December 28, 1975. On that date, Prime Minister Trudeau appeared on the CTV television network for a wide-ranging "end of the year" interview and, during the course of the dialogue, told Canadians that the private enterprise system had failed and that greater emphasis would have to be placed on economic generation through the public sector.

Not surprisingly, business spokesmen — including the Chamber — took great exception to the statements and their implications. To some business people, the Prime Minister's words represented public confirmation of their long-held suspicions concerning Mr. Trudeau's personal philosophy. To others, they appeared as a warning of difficult times to come and as an indication that Ottawa had decided to pin the blame for the nation's economic ills on business. To the more cynical observers, it appeared that Ottawa wished to increase its role in the economy and, in order to pave the way for increased intervention, had manufactured a crisis and named itself as rescue crew.

In retrospect, some of us might be willing to acknowledge that Mr. Trudeau's central message was at least partially valid, although improperly expressed. In effect, he told Canadians that the free enterprise system, in its purest textbook sense, was not operating in Canada, that we had a mixed market system. And on that point he was correct. The fact that he wished to increase the government component in the mix was another issue, and one that we continue to dispute.

Business, both prior to December 1975 and since, has taken an ambivalent approach to government. On the one hand, business is seen to press for reductions in regulation, and reductions in public expenditures while, on the other, it demands protection from foreign competition, and grants and subsidies to promote expansion and development. The difference between the 1980s and the mid-seventies is in our own recognition, as business people, of this ambivalence, our willingness to admit that it exists, and our desire to do something about it.

The change is especially evident in the orientation of the Chamber itself. Our internal policy discussions now reflect a greater measure of responsibility and self-discipline, recognizing that each proposal we advance to Ottawa that implies an expenditure must be coupled with an acknowledgement of the need to find the necessary revenue, if we are to be seen as a credible source of advice.

However, in 1975, business reacted forcefully and bitterly to the implied challenge to its most fundamental beliefs, and an underlying mood of caution and suspicion developed, both in business and in Ottawa, that has to some extent coloured our relationship since that time.

Business people decided Ottawa had given up on the concept of competitive enterprise in favour of a centrally-planned economy. At the same time, many people in Ottawa saw the business reaction as traditional defensive knee-jerking, and out of touch with reality. And so the stereotypes were reinforced, the positions hardened, and the quality of consultation inhibited.

Mr. Trudeau attempted subsequently to clarify and amplify his true intent in various public addresses, and in the Throne Speech and the position paper entitled *The Way Ahead*, both of which appeared in October of 1976. The latter two documents both contained statements designed to reassure the private sector. However, the legislative record was not seen to bear out the promises made in those announcements, and the cynicism continued to ferment.

Also during 1976, Roy MacLaren, who now represents a Toronto riding in the federal house, was interviewing both business people and government officials concerning their mutual mistrust. He was, at that point, a vice-president of a major advertising firm and he had been asked by Ottawa to prepare a major report which, as it turned out, was to be entitled *How to Improve Business-Government Relations in Canada*.

Many of the observations contained in that report are as valid today as they were at the time of publication in 1977 — and they say a great deal about the differing perspectives that have stood in the way of efficient communication between the public and private sectors.

From businessmen, he heard the fear that government was moving towards socialism and away from the investor-oriented system. He was told that unions, the media and, above all, government had increased their influence and power at the expense of business and that economic decision-making had fallen into the hands of bureaucrats who are not bound by the type of legislation that governs business nor by the controlling forces of the market-place.

Business people told him that government policies often appeared ill-conceived, short-term and poorly defined, that government just didn't understand how business works (hence the bumper crop of badly managed, superfluous and burdensome regulations), and that business views — when they were solicited — were seldom listened to, and reasons were never given for their rejection.

One of the major criticisms leveled at governments related to their size. The report very accurately reflected the strength of business feeling, as follows:

> Many businessmen feel that governments have become too big, pre-empting a steadily rising proportion of personal incomes and a particularly large part of increases in those incomes. This belief is so pervasive, and colours the government-business dialogue so extensively, that it is becoming an emotional subject.

If your reaction to the foregoing is a hearty "bravo," I would suggest that we restrain our delight, for one must also assume that the government perceptions of business that were reflected in the report were equally valid. I think they were, and therein lies the bad news.

MacLaren wrote that "many public servants" see government as a referee in society, not simply as one of several sectors, and that they didn't accept that there was a need for greater openness in their dealings with business. They would consider it "incompatible with their own impartiality."

They said business people were regarded as only one of many contending interest groups, not to be singled out in any special way because of their responsibilities as managers of the largest part of the nation's productive facilities.

To quote the report, civil servants believe that business people are "interested in pursuing only their own interests which, while essential, are nevertheless narrowly defined and seldom in full harmony with the public interest." On the other hand, and again I quote, "governments are seen as institutions that can only rarely be viewed as doing anything not synonymous with the public interest." In other words, some civil servants believe they can do almost no wrong. Government workers also saw the credibility of business weakened by what they regarded as our "failure to convince the public that the interest of business and of society at large frequently coincide."

Some of the more extreme civil servant viewpoints contained in Roy MacLaren's report have kept business people awake at night. Some, he advised, considered the market mechanism "an increasingly inappropriate method of making certain kinds of social decisions." They saw governments as "defenders of the man in the street against large corporations that are interested only in influencing him to buy," rather than satisfying what the civil servants consider to be his real needs.

The summary comment at the end of the report could have been written yesterday: "In short, business and government perceptions of their relations are in substantial conflict at a time when the future demands on both will likely require a greater degree of co-operation than ever before."

Frankly, I couldn't agree more.

The MacLaren Report brought into focus the frustrations and mistaken impressions held by business and government five years ago, as they viewed each other across a no man's land of suspicion. Why, then, have we allowed the atmosphere to remain virtually unchanged since that time?

Part of the answer lies, I believe, in the basic orientation and the well established roles of business people and bureaucrats. Whereas entrepreneurs, by their nature, must focus on economic considerations, making the right decisions, maintaining a long-term perspective and shouldering a basic responsibility for growth and employment, politicians must often focus on political considerations, popular decisions, a shorter-term perspective, and power.

Additionally, the public roles of the players have served as practical barriers to meaningful dialogue. Let's face it, some of the people who support the Canadian Chamber today do so in the expectation that we will be blunt and abrasive in our public statements about federal policy, as an accurate expression of their frustration. No one has ever suggested that the President of the National Chamber should win congeniality awards on Parliament Hill.

By the same token, politicians realize that a great deal of public support can be gained from playing the role of "David" to business's "Goliath" when circumstances permit, and that open co-operation with business, no matter how important or logical it may be, will inevitably draw the ire of labour, and consumers.

And so the pattern has continued. We have slammed the government as insensitive, left-leaning, expansive and rapacious, and it has characterized business and business groups as outdated, reactionary, greedy and unconscionable.

However, and it's a big "however," I see a glimmer of hope and I'd like to build it into a rainbow.

During the past six months, we've seen small but encouraging signs that a breakthrough may be possible. Our conversations with some ministers and officials, not all but some, have produced tentative offers of expanded and more candid consultation. Bud Olson's confidential memorandum to the Cabinet on national economic strategy, a copy of which made its way onto the pages of *The Financial Times* just last month, suggests that major policy changes should be discussed with business before they become law and urges ministers to be responsive to the views we advance.

And, just a few months ago, in a speech in this city, Prime Minister Trudeau expressed the hope that business-government relations will improve in the near future, and that the next generation of business leaders will be pragmatic and realize "that no government, certainly in the free world, even begins to see business as a nuisance or somehow a superfluity." He called for "a partnership in everyday action" between business and government, and so do we today.

Within the business community, we detect a growing awareness of the need to frame our proposals in a manner that transcends pure self-interest, and that reflects political reality.

So where do we go from here?

At the risk of offending those of you who may continue to view the Chamber as the "unofficial opposition to government," I must confess that I believe the time has come to talk to government more candidly than ever, and to request a response in kind.

Self-righteous name calling has done nothing to solve problems. Our criticism of government, although frequently valid, has not always been accompanied by constructive proposals, and we have not shown the same energy in rushing to offer commendation when appropriate. As a result, we are seen by some as complainers in search of a scapegoat rather than a solution. That opinion, I admit, is unfair. But it is no more unfair and inaccurate than the stereotype of the unfeeling, free-spending, left-leaning bureaucrat.

It is clear that there is no percentage for business in devoting its energies to the search for culprits. Even if blame for any number of national ills can be ascribed to governments or nameless civil servants, the victory of proof is a hollow one.

Today's issues are more complex than ever, and nothing is "black and white." There are very few, if any, instances in which a problem can be attributed to only one sector. We are all to blame to one degree or another and we must admit our responsibility and seek joint solutions, not waste time establishing relative degrees of guilt.

I believe that the adversary relationship between business and government has outlived any justification. It is time for a new understanding between the private and public sectors, one which acknowledges that business is no one's enemy and that its health is vital to the nation's well-being; one which recognizes that ethical standards are as fundamental to institutions as they are to individuals; one which accepts that wisdom resides in equal measure in both sectors; and one that places emphasis on candid discussion that is in the interests of all Canadians, not only of the parties involved.

If we will only look, I believe we will find that there is an abundance of integrity and good will on both sides — and we can, and must, change our attitudes in the interest of progress.

The times demand consultation on the economic recipe, not a critique of the pie once it has been served, and I for one eagerly anticipate the beginning of meaningful dialogue to improve business-government communication.

To that end, I am today offering the Chamber's services as an honest broker in developing new vehicles for communication and understanding between government and business. Whether it be a series of private discussions in Ottawa aimed at clearing away misconceptions and building mutual trust and understanding, or a program of public consultations in centres across the land designed to develop clear, constructive economic goals towards which all Canadians could strive, we're ready and willing to begin the job now.

I make that offer with no preconceived notions and with all the sincerity I can muster. As evidence of my personal commitment to do whatever I can whenever I can to consult, advise, assist or facilitate a new and better exchange, I have leased an apartment in Ottawa and will spend whatever time is necessary to do the job. Further, I today signal our commitment to further expand our office facilities in Ottawa to provide me with an office in that city, and to increase our presence and our availability to those willing to strengthen the dialogue.

For the record, I wish to make it clear that our commitment to improving dialogue with government should not be confused with a desire for peace and harmony at all cost. The forging of a more productive and co-operative relationship must be an exercise in give and take by both parties. Business has not developed its deep distrust for the expanding bureaucracy without some good reason, just as some of the civil servants' cynicism towards business and its motives has foundation in fact.

The Chamber will carry into the dialogue an open mind and a healthy respect for its partners from government, and from them it will expect understanding and a willingness to listen. We look ahead positively to a more productive meeting of the minds, based on mutually acceptable goals and principles. As a matter of fact, I am willing to suggest such a list of principles which I hope will find acceptance. They should, since they were first developed by a public servant who was a social reformer and who serves as a model for many people in modern government.

He wrote:

> You cannot bring about prosperity by discouraging thrift. You cannot strengthen the weak by weakening the strong. You cannot help the wage earner by pulling down the wage payer. You cannot help the poor by destroying the rich. You cannot establish sound security on borrowed money. You cannot keep out of trouble by spending more than you earn. You cannot build character and courage by taking away man's initiative and independence. You cannot help men permanently by doing for them what they could and should do for themselves.

I believe those words, written more than a century ago by Abraham Lincoln, are as valid today as they were then. The development of a shared understanding of their wisdom and value would, in itself, represent a major advance in the field of business-government relations.

The thanks of the club were expressed to Mr. Roberts by Samuel Hughes, a Director of The Empire Club of Canada.

OCTOBER 29, 1981

The Chrysler Syndrome

AN ADDRESS BY Lee A. Iacocca,
CHAIRMAN OF THE BOARD,
CHRYSLER CORPORATION

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: Of all the creations of man none so dominates his life as the thing we call "automobile." Once a curiosity, then a luxury, it is now considered to be an absolute necessity by over three-quarters of North Americans. Some people are conceived in it; a few born in it; and, I regret to say, far too many die in it.

Our commitment to the automobile has transformed a handful of tinkerers and entrepreneurs into a massive industrial complex. Watched over by the politicians and alternately loved and hated by the public, the automobile industry produces a considerable percentage of the gross national product of Canada and the United States and it directly employs hundreds of thousands of workers in the two countries. When all the businesses related to the automobile are added to the total, the automobile is said to be the source of one out of every six to eight jobs in North America. So it is an industry that deserves our attention and our concern.

Today The Empire Club of Canada is honoured and privileged to have as its guest speaker one of North America's most prominent and best known personalities in the automotive industry — Mr. Lee A. Iacocca, Chairman of the Board of Chrysler Corporation.

I do not propose to give you a biographical rundown of our distinguished visitor because this packed ballroom in itself attests to the knowledge you have of his identity. Suffice it to say that most of us see Mr. Iacocca as an outstanding spokesman and a charismatic leader in automotive marketing. We see him as a star of television and as a highly visible symbol of a fighting corporation that is struggling successfully under the most difficult of business conditions.

But there is another side to our guest speaker. Behind the scenes Mr. Iacocca is hard-driving, shrewd and the most respected man in the automobile business. During the past two years he has done a miraculous job of restructuring one of the world's largest corporations. He has been able to accomplish amazing feats of cost reductions, manpower redistribution and redeployment of assets.

Mr. Iacocca's immeasurable contribution to his profession, to an industry in which he has spent his entire life, and to the quality of American life in general has brought him wide recognition. He holds honorary doctorates from many colleges and universities, but undoubtedly the one that is dearest to his heart is the honorary doctorate from Lehigh University — the first university from which he graduated and of which he is an honorary trustee.

Ladies and gentlemen, please join me in giving Mr. Lee A. Iacocca an especially warm welcome to The Empire Club of Canada.

MR. IACOCCA:

Members of the distinguished Empire Club, special guests, all you members of the Chrysler family, ladies and gentlemen: If some of you are surprised that after two long, hard years we were even able to show up here — alive and well — I can understand that. It has been a long and rocky road. I must admit that our bankers around the world are quite relieved that I'm here. The financial analysts are still trying to explain it. A large number of editorial writers and cartoonists are going through their files to see where they went wrong. But I'm delighted, because I have looked forward to this day, and to the chance to spend a few minutes with the most distinguished group of businessmen in Canada.

I come as a representative of one of Canada's largest employers. We at Chrysler are proud of our corporate citizenship in your country. We are proud of the contribution we make to the Canadian economy and to the well-being of all your people. We have a forward product plan which calls for a greatly expanded presence in your economy, and some substantial new investments in Canada. Two members of our corporate Board of Directors are Canadians. They keep me in line. So I feel quite at home here.

I am also proud of the job that Moe Closs and our people have done here in selling cars and trucks. Our Plymouth Reliant is the number one best-selling compact in Canada, and Dodge Aries is close behind. In September of this year, Chrysler Canada was number two in total sales in this country, which is a remarkable achievement. I often tell our people in the States that Chrysler is the number one car company in Mexico. We're number two in Canada. If we could just put some meat in that sandwich, we'd be on our way. We're working on it.

Chrysler Corporation is not out of the woods yet. The American economy is not out of the woods. But we have come a long way, and we have reached this point in history against all odds. Fighting our way through the longest and deepest automotive recession in fifty years, against record inflation, record high interest rates of twenty-two per cent here in Canada, the slings and arrows of all the editorial writers, and a 180 degree turn in U.S. economic policy, we have survived. So far.

Lee A. Iacocca,
Chairman of the
Board,
Chrysler
Corporation

EMPIRE CLUB

We have restructured a giant company through one of the most sweeping programs of self-help in business history. And self-help it was. With all of the attention that's been devoted to the so-called "bail-out" of Chrysler, and the erroneous charge that the U.S. Government somehow handed us $1.2 billion in a brown paper bag, and that Canada is going to do the same with another $200 million, the fact is that in the best traditions of our forefathers, Chrysler has survived by pulling itself up by the bootstraps.

It is true that we have borrowed $1.2 billion at fifteen per cent or so, guaranteed by the U.S. Government. We have to pay that money back, with interest, in the same manner that the other $450 billion of federally guaranteed loans must be repaid.

That $1.2 billion only increased our debt. What *really* helped was the tremendous contribution made by the members of the Chrysler family — wage freezes accepted by our Canadian and U.S. employees, $2 billion cost reduction programs across the board, debt restructuring, and all the rest. The combination of all those factors adds up to well over $3 billion of self-help for Chrysler Corporation.

I'm interested to read that some people are now calling these kinds of actions "the Chrysler Syndrome," with a recommendation that our example should be followed by others as we seek to become more competitive in world markets.

We didn't go through all that pain and suffering to set an example. We did it because our backs were to the wall, and because we had no choice. Beyond that, we had a commitment to a lot of people who offered a helping hand. And in the process of completing that restructuring program, we are fulfilling the promises we made to those people.

We promised to modernize our plants and convert them to the latest technology. We are delivering, by closing a number of our older plants and by investing hundreds of millions of dollars in totally new ones — seven to be exact.

We promised to convert our entire fleet of cars to front-wheel-drive technology. We are delivering. Nearly ninety per cent of our current products are now front-wheel-drive, and when we add our all-new front-wheel-drive mini-vans and wagons in Windsor, Ontario, at a total investment of $700 million, we will be a totally front-wheel-drive company.

We promised we would be the leaders in fuel economy. We delivered, with a U.S. fleet average of twenty-eight miles per gallon, and a Canadian average of 34.6 miles per gallon. We have an additional advantage in Canada. All of our four-cylinder engines up here use regular gasoline at a savings of up to twenty cents a gallon. And with cars like Omni Miser getting up to fifty-seven miles per Imperial gallon on the highway, we're ready for your gasoline prices when they hit two, three or even four dollars a gallon!

We promised improved quality in our products. We delivered, with independent surveys showing Chrysler with the best overall quality of the Big Three, and closing in on the imports. In fact, our Imperial, built in Windsor, is rated the best domestic car sold in North America. So, say a kind word on behalf of the dedication of our Canadian workers.

We promised to lead the industry in new design technology. We are delivering, with a new and innovative system called CAD/CAM. That stands for Computer Aided Design and Manufacturing. Chrysler Corporation is the industry's leader in the development and use of Computer Aided Design which gives us a tremendous improvement in the productivity of our design engineers.

We promised to restructure our company from top to bottom — and we have delivered. We have a new management team made up of some new people from the outside and a large number of outstanding veterans from the inside such as Moe Closs who heads up our Canadian operation. These men have cut the costs out of this company, reduced our break-even point to nearly half the level of eighteen months ago, and maintained a future product line that will keep us competitive through the 1980s.

We promised to develop a closer working relationship with our labour unions. And we have delivered. Doug Fraser, the President of the UAW, sits on our Board of Directors. Our unionized employees have accepted a wage freeze during this critical period in exchange for an Employee Stock Ownership Plan and a profit-sharing plan, both of which give them a stake in the future of this company. And we are well along in establishing quality circles and productivity circles in many of our plants.

We said we would maintain employment for a half million workers — both direct and indirect — in Canada and the United States. We have delivered. In fact, in the year and a half since the Loan Guarantee Act was passed, Chrysler paid $4.3 billion in wages and benefits in the U.S., and Chrysler and its employees paid taxes of more than $1.2 billion to state, local, and federal governments.

In Canada, during that same eighteen months, Chrysler has provided employment — both direct and indirect — for 40,000 people. We have bought $600 million worth of goods and services from 1,300 Canadian suppliers. Chrysler has paid direct taxes in Canada amounting to $166 million. We have paid $410 million to Canadian employees in wages and benefits. And our Canadian employees have paid $80 million in provincial and federal taxes. I consider that a substantial contribution to free enterprise in Canada.

All down the line, we have kept our commitments to the citizens, and to the governments, of North America. By all standards of business management, and by all that is holy, Chrysler Corporation should be in a good position to take advantage of the increasing need for fuel-efficient cars and trucks.

We are ready to go. Unfortunately, the economy is not. Three things stand in the way of our final triumph. Interest rates. Interest rates. And interest rates.

In a University of Michigan survey of consumer attitudes taken in September of this year, a cross-section of people were asked their reasons for not buying a new car. Thirty-one per cent volunteered that the reason was high interest rates. Just one year earlier, only ten per cent gave that as the reason. And in the years before that almost no one did. Never in the history of our business has there been such a high number of potential buyers who have decided to sit on the sidelines because of high interest rates. And there's one simple reason. Interest rates have never been so high for so long.

Before October 6, 1979, the United States had seen interest rates as high as twelve per cent only once.

That was during the Civil War between the states. Never again did the rate hit twelve, until 1979. Then it went to twelve, on up to twenty-one and a half, back down to eleven, up to twenty and a half, now it's stalling at eighteen per cent, and holding. And Canada, in an effort to protect its dollar, was whipsawed up to a record twenty-two per cent interest rate, the highest in your history.

Now, I'm all for controlling inflation through a program of fiscal and monetary controls. But it now appears that the people who control the money supply have decided to break the back of inflation with one single blow. I would like to suggest that it won't work. It's not that simple, and it can't be done that fast.

It took forty years of strenuous effort by a Santa Claus government to create the havoc we have today. We started slowly in the 1930s, and over the years we added layer upon layer of well-intentioned social programs designed to achieve a redistribution of wealth. We created the Cost of Living Index, and we tied salaries and pensions and welfare benefits to it. We created layer upon layer of government agencies to administer these useful benefits. Then we created budget deficits and higher taxes to close the budget gap. We even created a unique system called "bracket creep" in which inflation alone drove people into higher tax brackets, destroying their incentive to work and to save.

We produced stagflation — the unholy alliance of inflation and recession which brought the economy to its knees. It took years of hard work to do that. And it cannot be undone overnight.

One does not depressurize a deep-sea diver in five minutes. One does not reverse forty years of economic policy in forty days. Yet that is precisely what we're trying to do now. In an atmosphere that screams for a policy of economic gradualism, we have some men in a hurry who have sold us a policy of instant solutions to long-range problems. It won't work!

The evidence is all around us. The number of business failures in the United States has climbed to an all-time high. In the last eighteen months, six thousand building contractors have gone broke. More than two thousand automobile dealers have closed their doors. Unemployment in the automobile industry alone totals 180,000 people, with additional hundreds of thousands out of work in supplier industries.

Let's face it. We are in a deep recession, world-wide. The housing industry is on its knees. The farm implement business is closing plants and laying people off. Unemployment in western Europe is over eight per cent. And a small mining town in Idaho is going broke because the demand for silver from their mine has dried up along with new-car sales. That is an example of the ripple effect — and if unchecked, it's going to turn into a disastrous tidal wave!

I don't have to tell the people in this audience the effects of U.S. monetary policy on your businesses or the government of Canada. Yours and other national economies have felt the sting of tight money and an appreciated U.S. dollar. Chancellor Schmidt recently visited the U.S., and before the blades of his helicopter had stopped turning over the White House lawn, he was denouncing high interest rates in the United States. The feeling is universal. In an administration that preaches the gospel of supply-side economics, economic growth, additional investments, more jobs, and more revenue — all of them correct policy — we have a monetary policy that says don't build, don't buy, and don't invest. It won't work. You can't have a supply-side fiscal policy and a demand-side monetary policy at the same time.

To compound the economic tragedy, the fact is that not all money is tight. A lot of it is simply being diverted to the wrong purposes. In the Old West, it was almost traditional that the ranchers at the head of a river diverted most of the water off to take care of their cattle, their land, and their needs. As a result, there was very little left over to trickle down to the poor folks farther downstream in the valley.

In the same manner, there appears to be plenty of money available for Seagrams to make an offer to buy Conoco (and for du Pont to actually buy it). There's plenty of money for Sears to buy Dean Witter. There's plenty of money for the U.S. Treasury to pay the interest on the national debt. There's plenty of money to invest in short-term money markets.

But guess what! Those guys who have diverted all that credit upstream have not created one additional job! They're all making money on money. And those of us who *do* create jobs, who *do* make investments in productivity, and who want to expand and pay taxes, end up downstream waiting for a few measly drops of water to get through so we can put a few guys back to work.

Well, you know what happened in the Old West. The guys down below got together and formed a posse. They rode upstream and shot the hell out of the people who were taking all the water. Believe me, I'm not advocating violence. But something has got to give!

And something has to give in both directions — both in fiscal policy and monetary policy.

Allow me to suggest a solution — in two parts.

First — we must reduce the budget deficit through a modification of our tax policy. President Reagan's tax cut program was a sound action, designed to increase savings, investment in new technology, and economic growth. It ought to stand for the long term, because in the long term it will work. But in the short term it is increasing the size of the budget deficit precisely when the deficit must be reduced.

Henry Kaufman is right. If the United States continues to increase the size of its deficits through too large a tax cut, it has no choice but to pay the additional interest on the national debt through increased borrowing in the credit market. In the process, it will crowd out other borrowers, heat up the demand for money, and force short-term interest rates up into the stratosphere again.

The budget has already been cut severely, although it's hard to see why they can't take a few billion more out of defence. You can't cut Social Security, Veterans' Benefits, Aid to Dependent Children, and school lunches any more. So you have one choice. You have to raise revenues.

How do you do that without destroying the incentives of the current tax cuts? How about a one-year user tax on specific commodities? Oil, gasoline, cosmetics, liquor, tobacco, everything except the essentials of food and housing. A ten cent tax on gasoline alone would raise $10 billion. Maybe a surcharge on imported oil? In whatever form, it would increase revenues and also maintain the consumer shift toward more fuel-efficient automobiles which is essential to lessening our dependence on foreign oil. The government of Canada understands the wisdom of energy conservation and increased revenue through higher prices for gasoline. Your new energy policy makes good sense. I suggest that the United States adopt some of the same strategies.

Add to that a short-term tax on other consumer items, and you could quickly raise fifty to sixty billion dollars in tax revenues. That brings you so close to a balanced budget you can taste it. Set it aside as a trust fund for defence, or use it directly to balance the budget. A balanced budget brings interest rates down, makes more money available for the purchase of goods and services, and provides the foundation for economic growth. I don't pretend to have the specific program, that's what politicians are for. And the politicians of my country ought to get on with it.

Second — we must have credit available for the purchase of cars and housing. Those of us who provide jobs, pay taxes, invest in new technology, and generate revenue, need to get some of that water downstream. We need to get some action on our own revenue side.

There's plenty of demand for automobiles. We've been running for three years at a level of sales which is well below the trend line. The pent-up demand for new fuel-efficient cars is growing higher every year. The babies born in the boom of the 1950s are now mature and holding a job. There are forty-two million old gas guzzlers getting twelve miles per gallon or less out on the road that need to be replaced by thirty-mile-per-gallon cars. People need new cars.

All we have to do now is get out of the way of that demand and allow consenting adults to engage in commerce.

Beginning immediately, the Federal Reserve Board of the United States and the Bank of Canada should establish a policy of informal credit guidance or credit conservation, if you will. They should nudge the banking community into supplying credit at more favourable rates to job-creating industries such as cars and housing. They should "tilt" money away from those whose investments create no jobs, and toward those which do.

For those who rebel at this intrusion into the free market for money, it's too late — at least in our country. We're already guiding money into All Savers Certificates, where it's projected that investors will put $150 to $200 billion by year's end. Our income tax laws tell people to invest with borrowed money instead of savings. The Federal Reserve decrees that if you want to buy stock on margin, you have to put up at least fifty per cent in cash. The fact is that there are already dozens of ways in which the government directs money in our economy.

It's time to face facts and put our money where our mouth is — by tilting money toward jobs, investments, and economic growth.

Given an adequate supply of money at a reasonable rate, the businessmen of both our countries can attack the economic problem where it counts — on the revenue side. Consumers will buy cars and housing. People can be brought back to work again. Factories will reopen. Government revenues will rise to equal expenditures. The Canadian dollar will be worth a dollar again. Inflation will decline and our economies will grow.

That is bipartisan economic policy at its best. It does not correct U.S. problems at Canada's expense, at Germany's expense, or at the expense of the deprived people of all nations. It unites all people, north and south, industrial and rural, rich and poor, union and non-union in a common effort to restore the free world's economies to a position of strength again.

There is no other way. We must never again accept double digit inflation as a fact of life. We must never force Canada to run up its prime rate to twenty-two per cent to stop the flow of money to the United States. We must never accept the principle of a "zero sum" society which dictates no more growth, and no more jobs. The economic pie must be enlarged so that all our citizens can share the challenges and the rewards of investment and hard work.

That spirit of dedication to growth is what made your country great, and it is what made my country great. It's time to rededicate ourselves to that goal again, for the sake of generations yet to come.

The thanks of the club were expressed to Mr. Iacocca by Sydney Hermant, a Past President of The Empire Club of Canada.

NOVEMBER 5, 1981

Nationalism and Continentalism

AN ADDRESS BY Mel Hurtig,
PRESIDENT,
HURTIG PUBLISHERS LIMITED

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: Today we are pleased to welcome as our guest speaker Mr. Mel Hurtig, an Albertan who has the reputation of being Canada's leading nationalist and federalist, and whose dream of Canada is one of a strong, independent nation. He is one of the founding members of the Committee for an Independent Canada and is a past national chairman of the organization. Over the past ten years he has frequently spoken in all ten provinces on the future of Canada, the growth of foreign ownership, and Canadian natural resources. His comments and speeches sparkle with humour and good common sense as illustrated by these examples:

> When you live next door to one of the world's super-powers, one of the wealthiest nation states in history and one of the greatest culture exporters in the world, unless you are a little bit nationalistic you're going to be swamped.

> You could have a man named Mussolini running for office as a Conservative and he would be elected in Alberta.

> There are two people in this country who clearly have no political futures. One is Dalton Camp and the other is Mel Hurtig.

Mr. Hurtig is also a very successful businessman in the publishing industry. Hurtig Publishers of which he is President has produced many titles which have won the Governor General's award and other important awards and prizes. He was named Canadian Book Publisher of the Year in 1975. Recently he launched one of the largest and most ambitious projects in the history of Canadian publishing — a new comprehensive Canadian encyclopedia which will be published in 1985.

But there is still another side to Mel Hurtig. He devotes a great deal of time to the promotion of Canadian cultural activities and community projects. He is a former President of the Edmonton Art Gallery, a former member of the University of Alberta senate, a past Chairman of the Board of the Canadian Bookseller's Association, and a member of the editorial board of *The Journal of Canadian Studies*. In 1976 he received the City of Edmonton's Performing and Creative Arts Award, and in 1979 the City of Edmonton's Outstanding Service Historical Award. He received an Honorary Doctor of Law degree from York University in September 1980 and was admitted to the Order of Canada in the grade of Officer a month later.

Ladies and gentlemen, please join me in welcoming Mr. Mel Hurtig to The Empire Club of Canada.

MR. HURTIG:

Ladies and gentlemen: Just over fifty years ago Canada was still very much a colony. Many of our most important foreign policy decisions were made elsewhere. Our highest court of appeal was located beyond our borders. Militarily, we were directly tied into decisions made in Great Britain. Culturally, for at least our élite, and most certainly for our media, the "real world" was to be found only in London, England.

In 1931, the Statute of Westminster, in legal terms at least, made us "independent" by formally removing the power of the British Parliament to intervene in our affairs, with the one notable exception we are all so painfully aware of today.

In the early 1930s, our very young and very sparsely populated and enormous country, along with the rest of the world, was plunged into the disastrous, cruel, lengthy, debilitating depression, and then, in 1939, into the terrible horrors of the Second World War.

During World War Two Canada matured as a nation. Our war effort, our sacrifices, our dedication, our ingenuity, were truly remarkable, the national transformation truly incredible.

In 1945 we emerged from five and a half long years of war as a strong, proud, united and self-confident nation, one of the world's leading industrial powers, a country that had been a major *exporter* of capital throughout much of the war, and a strong manufacturing country with an end products industry that had developed in but a few years.

Then, about thirty years ago, beginning in the 1950s, we Canadians began to do something most unusual and most exceptional, soon to reach a scale utterly unique in the entire world. We began selling off our country.

We began selling off our natural resources and our manufacturing industry and parts of our service sector and our retail sector and wholesaling, and massive portions of our entire economy, including our urban real estate and rural land.

By the mid-1960s the amount of foreign ownership in Canada was greater than in *all* of the western

European nations *combined*, plus Japan thrown in for good measure. Most of our vital industries were foreign-owned or foreign-controlled, many by seventy per cent, or eighty per cent, with several key Canadian industries over ninety per cent foreign-owned. Every single year during the 1960s and 1970s, year after year, foreign ownership in Canada grew by a new record amount, despite the so-called "new nationalism" of the late sixties and early seventies.

Incredibly, as we continued to sell off the control of our country to non-residents, as we became more and more an economic colony of the United States (U.S. ownership represented about eighty-two per cent of all foreign ownership in Canada), we began another and even more astonishing process.

Not only did we continue to sell off huge amounts of our country, but we also began to *finance* the massive sellout with our own savings. In a country so long brainwashed into believing we were desperately dependent on imported foreign capital, we *ourselves* provided the vast majority of the funds used by non-residents to take over the Canadian economy. Through retained earnings and through the friendly hospitality of our five large and prosperous Canadian banks, non-Canadians bought up more and more of our country, using Canadian savings and expanding their control beyond areas long under foreign domination into brand new sectors of the Canadian economy that previously we hadn't even worried about.

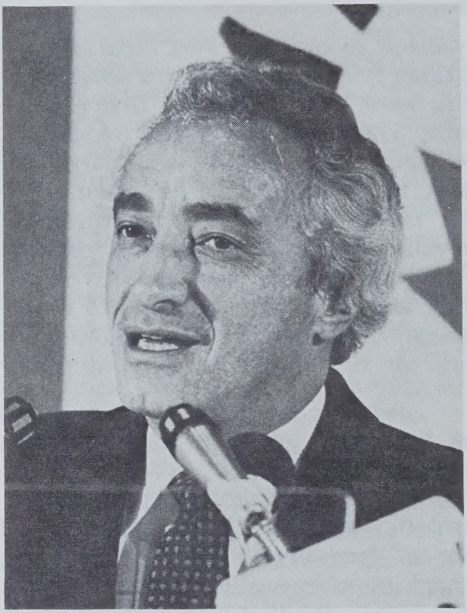
Astonishing as it may seem, the growth of foreign ownership in just the four years 1973-1976, *through retained earnings only*, was greater than the entire growth of foreign ownership for our previous entire history!

One of the many, many letters I've received over the years came from a young man in McBride, British Columbia.

> Dear Mr. Hurtig,
>
> I've always wanted to own my own farm and I've been working hard and saving for several years. My wife went out to work so that she could help out. The other day some people from Oregon and a real estate agent flew over the Fraser River Valley in a light plane. Without ever landing, they bought three farms in the valley, driving the price of real estate up to a point where now there's no way that I can afford to buy a farm. We've heard that there are other people from the States coming up next week to buy more land.

I received that particular letter several years ago. Today, as but one example in many, about half the farm land in the Peace River country in British Columbia is foreign-owned. Every week the amount of foreign ownership of land across Canada increases. And every day there are more and more key and vital decisions about the openings and closings of Canadian plants and about the levels of research and development and about the destination of exports and about the sources of purchasing and the levels of dividends, et cetera and et cetera, made outside of our country by non-Canadians, decisions only the most naïve could believe are made with Canadian priorities in mind.

While foreign ownership in Canada has been feeding on itself, growing like a cancer, another equally remarkable and unique development occurred. Our own teachers and our own school boards and our curriculum committees and our ministers of education across Canada *forgot* what country we live in. We simply forgot to teach our young people about our history and our geography, about our contemporary problems and about the people who make up our country, and about why we in fact had a separate nation on the northern



Mel Hurtig,
President,
Hurtig Publishers
Limited

half of the North American continent. Young people leaving Canadian schools all across Canada, finishing grade twelve and grade thirteen, left school knowing virtually nothing about Canada.

Some of you will remember the survey that I conducted, of some 3,300 high school students, in their last year of high school, in schools in urban and rural communities all across Canada. Sixty-nine per cent of the students leaving high school could not identify the name René Lévesque. Over seventy per cent of the students couldn't name *any* three Canadian prime ministers since the end of the Second World War. Over seventy per cent of the students couldn't identify Margaret Atwood or Margaret Laurence as Canadian writers. Most of the students had no idea into which body of water the Mackenzie River flows or which Canadian won the Nobel Peace Prize or why the War Measures Act was proclaimed. Most were unable to answer even basic and simple questions about our country.

And at the post-secondary level we imported American political science professors and American sociologists and American psychologists and other foreign professors to teach at our colleges and universities. Our students learned about Harlem and not about the problems of Canada's native populations. They learned about Watts but not about what has been happening to our Inuit people. They used American textbooks to learn American history and political economy, but not our own history or the nature of contemporary Canada.

The simple truth is that for almost two decades our educational establishment virtually completely abandoned their responsibility to teach our young people about our own country.

Living next door to the world's greatest culture-exporting nation, living next door to one of the world's greatest super-powers, living next door to one of the most nationalistic nations the twentieth century has ever produced, and one of the most patriotic, we Canadians were told over and over again that we mustn't be nationalistic.

While all of this was happening — the gigantic growth of foreign ownership, the absence of Canadian content in our schools, the transfer of our colonial mentality attachment from Great Britain to the United States — we introduced that "box" into our living rooms. We provided our citizens and our young people with the splendid opportunity to spend an average of three hours a day indulging in the pleasures of *Starsky and Hutch*, *Knot's Landing*, *Dallas*, *Magnum, P.I.*, *Family Feud*, *The Gong Show*, *Lobo*, and other highlights of American culture.

While already on our news-stands across the country ninety-eight per cent of all the paperback books sold were American, and while already our radio stations were flooded with American music, and while our book clubs in Canada had long offered ninety-eight per cent foreign content, and while our record stores sold ninety-nine per cent foreign discs, and we watched foreign films almost exclusively, we then had the brilliant idea of proliferating cable television across the country, providing our citizens the opportunity to watch a minimum of three American networks, providing Canadians greater access to foreign television than exists in any other nation anywhere in the world.

And all the while, Pierre Trudeau and Robert Stanfield and Joe Clark and Peter Lougheed and Bill Davis and our bank presidents and our newspaper editors and our chambers of commerce and our oil companies told us that we mustn't be too nationalistic.

There was another major trend that began to change Canada. Beginning in the 1930s, with a series of unfortunate and uninformed U.K. privy council decisions, we began to balkanize our country. During the fifties and sixties and seventies we steadily transferred more and more power away from the national government to the provinces. In a nation where there is an almost constant complaint from the power hungry provincial premiers about "over-centralization," we proceeded to erode the authority of the federal government and steadily transfer more and more of the responsibility for decision-making, taxing and spending to the provincial governments. Today, any American governor arriving in Canada is amazed by the power of our provincial premiers.

Soon came the inevitable result: the provinces began to flex their muscles, resulting in a growing balkanization of the country. Barriers were set up between provinces in trade and in transportation and in employment and provinces competed against one another to see who could offer the foreign multinational corporations the largest tax concessions and the largest forgivable government grants: more and more provincial chauvinism and more and more provincial antagonism and more and more policies discriminating against other provinces, against other Canadians.

And then came separatism. The separatism of Quebec that we worried about for so long, and then western separatism: increasing division and strife within the nation, increasing animosity *between* Canadians. Strong anti-Ontario and anti-Toronto and anti-Ottawa and anti-central Canada feelings encouraged both by foolish, arrogant policies of the "central government," and also by the increasingly strident, selfish, power hungry provincial governments.

And now, inevitably, we are paying the price, as a nation, politically and economically. We have a divided country still struggling to even patriate its own constitution. We have a divided country where provincial politicians strive to bash the federal government at every opportunity, regardless of the party in power. And economically we have a nation that is so closely tied to the American economic system because of our massive foreign ownership that it is virtually impossible for us to avoid emulating their ruinous policies, such as the exorbitant interest rates of 1981.

So we have continuing high unemployment, approaching an all-time record, and double-digit inflation, and huge internal and current account deficits, poor productivity because of our branch plant manufacturing, gigantic deficits in our finished product imports and other basic structural flaws in the economy.

We have a country that has had a current account deficit with the United States for the last *thirty-six consecutive years* (to the tune of sixty-three billion dollars), yet still considers itself so vulnerable in our trading relationship with the U.S. that we shake for fear of "retaliation."

Our colonial mentality is so advanced that we splash across our newspapers and magazine and television screens stories about the relatively modest Canadian investment in the United States, when it is of little significance compared to the overwhelming American domination in Canada.

We produce a new energy policy that allows foreign ownership in the petroleum industry to grow from thirty billion dollars in 1979 to *eighty* billion dollars in 1990, and yet hear our own business leaders and our own politicians claim that we are being too nationalistic. We listen to our bank presidents tell us sanctimoniously that we mustn't be nationalistic while they themselves graciously provide most of their loans of Canadian savings to huge foreign corporations inside and outside of Canada.

Well, what *can* we do? What should we do?

I think there are economic solutions and political solutions that are not radical and not doctrinaire but rather of a type that the Canadian people would happily endorse. Let me see if I can briefly sketch out a few of them. Obviously, given the time available, I'm only going to give you a very short, succinct list.

First, we should leave our Canadian dollar alone and let it find its own level. The existing high interest rates are *causing* more inflation than would result from higher priced imports due to the low value of the Canadian dollar. The multiplier effect of high interest rates throughout the economy is proving disastrous. Leave the Canadian dollar alone and shrink imports. We are already by far the highest per capita importers in the developed world and we import far too many things that we should be buying or producing here. Much of our import excess is caused by foreign subsidiaries buying at non-arms length high prices from their parent corporations. A lower Canadian dollar allowed to find its own true level would encourage substantial industrial activity here in Canada.

We *must* cut our ballooning end products deficit which has risen from three billion dollars in 1970 to nineteen billion dollars in 1981. As long as we have a predominantly foreign-owned manufacturing sector we're *not* going to be able to do this. We *must* build up our secondary industry and concentrate less on the development of non-labour-intensive export-oriented natural resources.

Surely it's about time we started to tell our banks that they must stop financing the sellout of our own country with our own savings through their great generosity to foreign corporations. Other countries tell their banks how they are supposed to behave and it's about time we told *our* banks that there is such a thing as the national interest. We should decrease bank loans to foreign corporations by at least ten per cent a year for at least the next five years.

We should increase the difference between tax rates for Canadian-controlled corporations and foreign-controlled corporations. Corporations which are Canadian-owned should be given substantial preferential tax treatment. For those timid Canadians and others who complain about GATT, I suggest they look at the popular GATT-violating DISC arrangements in the United States, as one of many similar examples.

But, we certainly don't want only a small handful of wealthy Canadian families or corporations owning all of our country. Let's bring in tax incentives for employee profit-sharing arrangements so that all Canadians can benefit in a new national strategy.

Let's accelerate the process of government purchasing through Canadian corporations wherever possible. Remember, even if there is a large gap between Canadian and foreign product cost, the multiplier effect throughout the economy in purchasing somewhat higher priced Canadian goods will most often produce benefits that *far* outweigh simple price difference.

And for heaven's sake let's stop giving huge multi-million dollar federal and provincial grants to foreign corporations. If governments must give grants to private industry, then let these dollars go only to Canadian-controlled firms.

We simply cannot and must not continue the process of allowing thirty-six consecutive years of current account deficit with the United States. If we allow this to continue, it will bankrupt our nation. One of the two principle reasons for our high interest rates, and one of the most damaging and debilitating contributors to our basic economic problems is our perpetual deficit on goods and services with the U.S. In any new industrial game plan we must strive to balance our current account in our trading with our biggest customer, and in doing this we must also remember that *we* are the biggest *customer* for the United States! In our bilateral arrangements with the U.S. we have been far too timid, and it is about time that we acted more like a strong, independent country in our trading negotiations.

Obviously one of the things we have to do is a lot more industrial research and development, but again a branch plant country simply does not do R & D.

We should appoint "public interest directors" to the boards of all large foreign multinational corporations in Canada. We're losing billions of dollars every year in service charges and "sweetheart" deals between foreign parents and their subsidiaries here in Canada.

We *must* accelerate the Canadianization of our energy industry to seventy-five per cent by 1990. Allowing a growth of fifty billion dollars in the assets of foreign-controlled petroleum corporations in Canada, during the next few years, is, in my opinion, an incredibly foolish, unnecessary and intolerable situation.

There is no reason in the world why we should not be able to develop the tar sands and the heavy oil deposits with heavily predominant Canadian ownership, especially when the multinationals are crying for *guarantees* of a twenty per cent rate of return on investment. If we are going to proceed with the development of the oil sands on a guaranteed rate of return, then we might as well treat them on a utility basis. A mix of public and private Canadian investment could have substantial long term benefits for the Canadian economy in developing the oil sands, and a planned development would certainly spin off a badly-needed mining equipment industry.

Obviously with large reserves of natural gas we should be greatly accelerating distribution in our country, especially where we can replace imported oil. We should be the world's leading innovators in the use of compressed natural gas. Italy already has more than a quarter million vehicles running on C.N.G. It's a natural solution for Canada but the technology needs to be vastly improved and we should embark on a crash R & D program.

I think there are some vital political solutions as well. Let me mention just a few.

We should have a modified proportional representation system to much better reflect the popular vote in House of Commons seats, to produce more Conservative MPs from Quebec and more Liberals from the west and a more accurate reflection of the NDP popular vote across the country.

We should reform the House of Commons and have many more free votes, and better, stronger, more independent Commons committees.

We should have the world's *best* Freedom of Information Act — open government with much more citizen access to information and the decision-making process.

And I'm convinced that we should have a three-year set term for Parliament. In our modern society, with its vastly accelerated pace of events, three years is both long enough for the public to assess a government's performance, and long enough for a government to implement its important strategies. A set three-year term would soften much of the frustration from the election of what appears to be perpetual prime ministers and eternal Liberal governments. It is interesting to note that there is much less temptation for executive arrogance in the U.S. because of mid-term elections two years after presidential elections.

No Canadian prime minister, in my opinion, should be allowed to serve more than two three-year terms. It is two four-year terms for American presidents and in Mexico one six-year term. I can see no reason, in Canada, why any man or woman, through whatever circumstance, should be in office in our highest position for more than two terms. And I can think of lots of reasons why they shouldn't be.

We badly need a new Upper House with perhaps half of the members appointed from the provinces and half by the federal government, and with each province having the same number of seats, ridiculous as this works out in terms of population. The new Upper House, replacing the Senate, should have the power to substantially delay legislation directly affecting provincial jurisdiction, and the ability to suggest improvements, but it *must not* have the ability to change in important ways the decisions of the *elected* members of parliament. The last thing in the world we need is an elected Senate. An elected Senate would change our entire system of government, and I can't imagine it being for the better.

Surely at this stage of our history we should amend our equalization formulas to better reflect true income across the nation, and that means taking into consideration provincial natural resource revenue. I'm not talking about complete and equal distribution of all income. Not at all! But rather our present system is grossly unfair and desperately needs updating. I'm convinced the vast majority of Canadians would agree.

There continues to be much talk about Canada being over-centralized. I have to always ask, compared to where? For my own part I am tired of the petty, parochial, paranoid, provincial premiers. I think we have balkanized our country enough. And yet on the other hand I am certainly not interested in the kind of arrogance from Ottawa that we have had in the last few years.

By and large the real answer to our problems must lie in the democratic political process. It's very sad that fewer than four per cent of adult Canadians belong to any political party, and fewer than half of one per cent of adult Canadians *ever* make a contribution to any political party. If we're going to make important changes in Canada they must come through greater public participation in the political process and I for one would like to see every student in this country emerge from our educational institutions with a thorough understanding of how the political system works and how the individual can go out and take part in it, and play an important role in it.

Many years ago a gentleman named Martin Nordegg wrote a book called *The Possibilities of Canada are Truly Great*. I still think that is the case and I think we could make Canada into a wonderful country of happiness and prosperity. I remain optimistic that we could do this and still have the freest country in the world.

We are certainly not going to do it, though, with the quality of political leadership we now have. We could do it if many more Canadians decided that they had time to become actively involved in the political process, so that a much greater amount of altruism was injected into politics, and so that the decision-making process had a much better chance of producing policies in the best interests of the nation.

Today in Canada there are continuing battles between the so-called nationalists (who are no longer only the academics and intellectuals, but now include many aggressive Canadian entrepreneurs as well) and the same old continentalists. Recent speeches by the Chairman of the Royal Bank of Canada, the Leader of the Opposition, the Premier of Alberta, and a number of others, are a clear indication that the same old colonial attitude and the same old continentalism are very much alive in Canada. I think the early 1980s will see a vital struggle between the "nationalists" and the "continentalists." And I'm convinced that the very future of Canada will be determined by this struggle. If the "continentalists" were to be successful, then Canada would disappear forever, well before the turn of the century.

I, for one, do not intend to let that happen.

The thanks of the club were expressed to Mr. Hurtig by Robin Chetwynd, a Director of The Empire Club of Canada.

NOVEMBER 12, 1981

And Now the Good News

AN ADDRESS BY Dr. Larkin Kerwin,
PRESIDENT,
NATIONAL RESEARCH COUNCIL

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: In the past year there have been encouraging signs of a national awareness that a strong and aggressive research and development program is vital to Canada's future industrial growth and economic well-being. One example of this awareness was the announcement by the Minister of State for Science and Technology in January of this year of a five-year plan to raise the total research and development spending to 1.5 per cent of the gross national product from the present level of less than one per cent. Federal spending on science and technology in 1981 will be $2.6 billion.

Our guest speaker today, Dr. Larkin Kerwin, has a direct and personal interest in the government's new policy for he is the head of the National Research Council — Canada's most diversified and largest research and development organization.

I do not have the time to recite all of Dr. Kerwin's professional qualifications and achievements, his scientific and professional associations and the honours and awards he has received, for it takes five pages to list them. Suffice it to say that he is a brilliant scholar and a nuclear physicist of international stature. His book on atomic and molecular physics has been published in English, French and Spanish. His other writings include chapters for many scientific manuals. He has written dozens of articles on science and education. He has been honoured with doctorates from universities across Canada, and he is a Companion in the Order of Canada.

Dr. Kerwin, a former rector of Laval University, and Vice-President of the National Sciences and Engineering Research Council until his present appointment in 1980, is an ardent spokesman for the research and development community. He believes that a national commitment to significant improvement in the production of high-technology companies would help to reduce inflation, would boost employment and would reduce Canada's trade deficit. An exciting example of this is the design development and production by Spar Aerospace Limited, with assistance and funding from the National Research Council, of the remote manipulator system commonly referred to as Canadarm which will receive its baptism in space in the flight of U.S. Space Shuttle *Columbia*. I am happy to report that *Columbia* was launched successfully at 1010 hours this morning.

We share Dr. Kerwin's pride in the National Research Council's reputation as a highly respected research organization which has done remarkably well despite its limited funding. I am confident that it will do even better under his enthusiastic and capable leadership.

Ladies and gentlemen, please join me in welcoming to The Empire Club of Canada Dr. Larkin Kerwin, President of the National Research Council and a "bearer of good news."

DR. KERWIN:

Mr. Chairman, ladies and gentlemen: Today I bring you good news because I am not going to discuss the problems of my country. For one thing, it is unnecessary. Many other messengers have borne the bad news of unparallelled interest rates, of the hard-pressed manufacturing sector, of declining social ethics, of the growing public debt. I too can see that to those who use such problems to predict catastrophe, our future must indeed seem bleak.

I have a better reason than redundancy, however, for not reiterating woeful prophecies. It is that I don't believe them. I do not deny the problems; I do deny that they mean ruin for Canada. You see, I already know how many of these problems will be solved. That is the good news that I bring today.

I believe that Canada's future lies in a certain kind of beauty. Are aesthetics a response to economics? Am I being unrealistic? Not at all.

Human beings do many things that brute self-preservation cannot explain. No animal paints pictures, writes music, constructs explanatory hypotheses or forges tools. All these depend on beauty. And the best paintings, theories, tools or symphonies, the most effective inventions are also the loveliest. "Beauty is truth, truth beauty," wrote Keats. It is all we know and all we need to know. There is an irreducible elegance which links Mozart and Modigliani, Botticelli and Bach, and do not imagine that I speak here of mere decoration. Rou's works, his depiction of humanity's struggle against debasement, are intentionally disturbing. Few documents continue to unsettle the deepest thinkers as much as Einsteins' paper on special relativity. These works remain profoundly challenging; they are no less beautiful because of that.

To me, anything original and well made belongs in this category. All such great works endure, for their very greatness has raised them out of time. Shakespeare, Chopin, Archimedes, and Molière will always be the heritage of every age.

What of those of us, by far the majority, who cannot hope to emulate their high achievement? For us, the very attempt is a glorious and productive thing. For as W.B. Yeats put it, hidden in our hearts we have the flame, the impelling towards spiritual and intellectual experience. It is not necessary for us to be Alex Colville to have the flame and to know something of the joys and instructive sorrows of the artist, nor must every scientist be Siegbhan. Genius itself is but the peak of great communal enterprise. Newton said that he had seen so far only by standing on the shoulders of giants. Without the prior accumulation of data by ordinary but accurate observers, no brilliant theoretician could bridge the gulf between facts. The glowing tones of the Renaissance masters came only after the technological development of oil-based paints.

If art shares cause with science, and technology underpins art, then science and technology must also be considered a natural pair. Thought about the universe remained speculation until the architects of Stonehenge and La Venta gave thinkers great tools for the measurement of time. Now, tens of centuries later, our search for the constituents of matter requires other immense artifacts which we call accelerators. Man the creator, man the visionary, man the toolmaker, are one. I do not suggest there is no such thing as "pure science" — only that all human inventiveness is pure, whether of eye, head or hand.

Science is thus worth pursuing solely as an artistic process, that like our great artists progressively reveals to us the endless marvels in a truly marvellous world. Our culture needs scientists and technicians as it does cellists, poets and sculptors, because in every case the thing done is both intrinsically worth doing and a unique embodiment of truth. It is good for a sculptor to sculpt and good for us to see his sculpture. It is good for an engineer to plan and good for us to use the fruits of his planning. It is in beautiful activities that we are truly human.

This, then, is the first part of my good news: that there exist increasingly activities that fill the hearts of actor and audience and show why, in the teeth of

Dr. Larkin Kerwin
President, National Research Council

world-wide food and energy problems, it is nevertheless worth while to be alive.

At the National Research Council, we have been privileged to foster much of such beautiful and stimulating work. I will give four examples, out of hundreds.

Through our Industrial Research Assistance Program, NRC funds work which is probing how a person's blood cells reflect light in the presence of cancer. A group of our hydraulics engineers is now demonstrating an entirely new modelling concept using the tides of the Bay of Fundy. A Canadian industrial team co-ordinated by NRC is just now confirming the world's biggest single advance in space robotics. A biochemist at our laboratories in Ottawa has used stock chemicals to manufacture human genes.

This splendid work — and we have much else along this line — fills me with a special pride in the National Research Council of Canada. I could extol these accomplishments for their beauty alone, as I would other works of art. But these artifacts of intellect are more than beautiful; they are economically useful as well. That is the second part of my good news today.

Let me review these four masterpieces in greater detail.

The first might be compared to a painting.

World-wide work on cell fluorescence, a key part of which is being carried out in London, Ontario with NRC funding, may soon pave the way for a machine that diagnoses cancer, anywhere in the body, as soon as it appears. A carcinoma now reveals itself only when it grows large enough to be palpable or visible, or when it hinders some natural function. This deadly process may take years, and is often detected too late to arrest. Soon after the appearance of even a tiny group of malignant cells, however, a chemical reaction modifies the way that red blood corpuscles appear under certain kinds of illumination. A machine that would apply this eerily beautiful effect could reveal the existence of a tumour when its age was days, not years, permitting therapy to begin when it had a much greater chance of success. As well, Dr. James Whitfield of NRC has recently identified what could be the basis of another powerful diagnostic technique — a protein which occurs only in cancer cells.

I do not want to raise undue hopes — science must be cautious, for the world is rarely structured entirely as we wish. But it is possible that tests based on the properties of blood fluorescence or the presence of the protein "oncomodulin" could one day be used in every hospital, tirelessly hunting down the enemy of organized life. We are working towards that goal.

The second work might be compared to sculpture.

At the National Research Council's Division of Mechanical Engineering, a team under the direction of Mr. Joe Ploeg has completed a "hybrid model," partly of concrete and partly of electronics, of the Bay of Fundy. Again, their work is more than elegant: it is immensely practical. What helps make Fundy tides among the highest in the world is the bay's proportions — tides resonate within it much as water sloshes in a tub. Consequently, the high tidal currents that form in Fundy's arms bear huge amounts of energy.

As the cost of other energy rises, it seems certain we shall somehow have to tame this power of the Fundy tides, perhaps by spanning some segment of the basin with a structure housing turbines. We have the technology to build this now, at least in the sense of being able to put up a structure that will not fall down. But how big should we make it? Where should we put it? Are conventional turbines suitable? What turbine design is best? We must determine the intricate details of how water behaves here before we start to pour concrete. We already suspect that the site of a Fundy powerhouse will itself influence the power it generates, by augmenting or diminishing the size of the harnessed tides.

At the same time sound research will allow us to be gentle to the environment. There are dangers in building too precipitously. One group has calculated that a Fundy power station could raise the tides along the coast as far as Boston. To build boldly, therefore, we must plan carefully; reap the benefits yet take away the risks. To begin this process we first need accurate, basic information at minimum cost.

Mr. Ploeg's work will meet these demands. He and his colleagues can simulate tidal processes using the controlled variables of a laboratory model. As a rule, the larger the model the more accurate the results; yet we cannot afford to build a model of the entire Bay of Fundy and Gulf of Maine ten kilometres to a side. We can afford mathematical models, stored and processed in digital computers, which simulate the motions of the tides but take up little physical space. Yet if not continually correlated with the real world, these computer models can grow increasingly untrue.

So, the NRC hydraulics group's approach combines the speed and compactness of a fast and specialized computer with the accuracy of a physical scale model. This novel "hybrid model" will help us understand the beautiful complexities of tidal estuaries. Furthermore, the newly acquired knowledge can be transferred readily to schools and industries in the Maritimes, where it may be applied to the development of a fully acceptable tidal power scheme. This is good science, good ecology, and good engineering. It has both beauty and practicality.

The third masterpiece may be likened to theatre.

As I speak the U.S. Space Shuttle *Columbia* has carried into orbit what is one of the most advanced robots in existence. I speak of Canadarm, the remote manipulator system for the shuttle.

Canadarm marks a new approach to space: we humans come there no longer as wary explorers, but to stay and build. This progression to the commercialization of space demands new ways of doing things. A space-walking astronaut could conceivably handle small payloads alone. He — or she — can no longer do this when the ferried payload is the size and mass of a loaded city bus. Canadarm, hinged as its name implies like a human arm, can reach into the Shuttle's cargo bay to grasp and deploy what is secured there. Although the size of two telephone poles laid end to end, it remains completely responsive to simple controls inside the shuttle's cabin. Canadarm permits an astronaut to perform work in space from the comfort of the crew compartment.

To do this, Canadarm reconciles properties that everyday experience tells us should be irreconcilable. It can handle loads of more than thirty metric tons with electric motors the size of desk telephones, bring these loads to rest within a distance of sixty centimetres, and keep them in position to within five centimetres. Yet even with its on-board controls, Canadarm's mass in orbit is less than two per cent of what it can manipulate.

In the next fifteen years NRC's prime contractor on this project, Spar Aerospace Ltd., will sell more Canadian manipulators to the United States to outfit the balance of the shuttle fleet. As well, Spar is looking at ways to apply this new technology in any environment hostile to man, whether it is retubing and operating nuclear reactors or serving pipelines beneath the sea. Whatever the application, Canada can be proud of its world leadership in this branch of robotics. We have witnessed the formation of a completely new industry, a Canadian first, which is an achievement quite as beautiful as any other work of art.

The fourth masterpiece might be likened to music.

Scientists at NRC are steadily learning more about the exquisite filing system which holds the information to make living things from humans to hummingbirds — the genetic code. A "gene" is the template for one or more organic substances. Single genes transmit a creature's simple properties: colour of eyes, or size of teeth. Many genes together define or influence such subtle traits as shape of face, intelligence, or athletic ability. A gene is a succession of fairly simple chemicals strung along the spine of deoxyribonucleic acid — the famous double strand of DNA.

It may be argued that a molecule of DNA is the smallest possible bit of living matter — the quantum of life. But at these scales, that way of looking at things may be misleading. The four organic bases whose sequence encodes every aspect of life, are themselves as dead as sawdust. Commercial laboratories sell them off the shelf.

NRC's Dr. Saran Narang ranks among the world leaders in literally assembling functioning human genes from these stock chemicals. Using the precise techniques of a new biochemistry, Dr. Narang's colleagues at Cornell University then suture these "designer genes" into living bacteria. The cells adopt the living bits of information as their own; and when a modified bacterium divides, both daughter cells bear exact replicas of the artificial gene. Quantities of these modified bacteria can thus become a biological factory, capable of producing any substance for which we can create a gene. There is no reason why this method cannot give us human insulin or interferon as easily as other bio-processes give us cheese and beer. Once more, this whole activity does more than manifest transcendent beauty. It is also of the utmost usefulness. Practical businessmen have already suggested that this fledgling technology will generate thousands of jobs in Canada within the next ten years.

There is also a humanitarian aspect to this work. In the Third World, for example, meat is not commonplace. There are few beef farms, few slaughter houses and hence no source of the animal pancreases whose insulin keeps the diabetic alive. Cheap insulin from genetic engineering will be a godsend everywhere.

I have indicated how these four masterpieces — the cancer work, the Fundy model, the Canadarm and the insulin protogenes — progressed from aesthetics to utility. It is but a brief further step to economics. A safe way of supplying half a province with endless energy, or a radical improvement in industrial robotics, or production of complex pharmaceuticals by simple fermentation, or a machine for instant cancer detection — all these promise an immense new wealth. To workers who seek well-paid and fascinating jobs; to entrepreneurs seeking unexploited inventions; to governments seeking tax and export dollars from a robust and expanding industrial base — these aspects of the human search for beauty are pleasing in more than aesthetic ways. I am convinced that our adoption of such new technologies as I have described will assure Canada's economic future. We began our history trapping animals; progressed to cutting wood; and now ship iron ore. But we are not yet fully out of a colonial economy. We sell raw materials which other nations then process and sell back to us increased in value.

The manufacturing we do possess is often controlled by non-Canadians; and while their control may be benign, it is inarguably out of our hands. We are a careful people. But paradoxically this timidity, this reluctance to make our own goods in our own factories, has become the path of recklessness. The riskiest thing we can do now is to balk at gambling on the new opportunities that science and technology have put into our hands.

A steady national pursuit of research and development will repay us not only in ways we can imagine, but also in other ways which we cannot. Analyses have shown that increased sales and profits resulting from the development of high-technology products cause an increase of many income-tax dollars for every one spent by NRC in its industrial R & D programs. For example, in the three-year period 1974-1977 NRC spent ninety million dollars on over four hundred projects with over two hundred Canadian companies. The analysis of the years 1977-1980 showed that the increased sales and profits directly attributable to this work were $1.8 billion — a return of twenty to one, and the two hundred companies sent in increased corporate taxes to Ottawa of $350 million. It was even a good investment for the federal government.

Canada can greatly increase its real income by such activities. This is a solid promise which I make you, not an insubstantial dream.

I could list many countries whose technically advanced products have generated an apparently insatiable demand. Yet in none of these is there basic research more intrinsically beautiful, nor any more promising of wealth, than in these Canadian projects I have told you about today. We are a nation rich in ideas. That Japan does so much with so little, and we so little with so much, is a question of national will. If we fail to exploit these current technological opportunities, or fail to develop new ones continually, we may still survive as woodcutters. But we must then be content with a woodcutter's wage.

The National Research Council has developed a multi-option long range plan, recently approved in principle by the government. This offers several paths to help our country foster and exploit inventiveness, and shift its base from resources to high technology. To be sure, in a "technologized" Canada, natural resources would still loom large. But they would be detected, developed, managed, and replaced scientifically. Most importantly, they would be made into finished products *here*.

Our preferred option in the long range plan would more than triple NRC's annual budget in constant dollars, within five years. Most of this increase would go towards industrial support. NRC will still strive after knowledge for its beauty; this not only underpins tomorrow's industry, it is also a fundamental part of being human. But the bulk of the funds we now request will directly bolster the industry and commerce of Canada. NRC will expand its current programs to underwrite a firm's costs in hiring researchers and technologists, to implement new products and processes, and to minimize the time it takes for knowledge to move from the lab to the assembly line. All this we do already to the best of our resources; but on an entirely inadequate scale. A proper national effort requires a proper national investment.

An investment it will be — not a cost to Canada, not a drain on wealth, but the wisest possible capital outlay. It is much more than just a desirable purchase, or a wise market speculation. It is imperative. That is why we have called our long range plan "the urgent investment."

If Canada implements something like this plan it will still have problems in the years ahead. But these will be the problems of excellence; the worries of the rich. They will probably include a scarcity of workers rather than unemployment; a surplus of affordable energy, much of it in renewables; so strong a dollar and so low a national debt that we may be pressured as Japan is now to limit our exports. These are genuine difficulties and I do not minimize them but I would rather deal with them than with the stagnancy we face today.

Though we strain at the seams, we at the National Research Council can only make a partial contribution to take Canada into a new millennium. However well funded, no one department ever can. The renewal of our economy by science and technology is, as I have said, a matter of *national* will. It must involve a whole series of other reforms and programs, of which even our vastly expanded R & D effort is but one part. The government has set one and a half per cent of gross national product as a planning framework for annual expenditure on research and development. I do not agree with this figure. I think it is too low. But since we currently spend less than any industrialized country on new research, I think this intermediate target is an excellent start. It would entail, however, far more than the effective establishment of three and a half new NRCs. Private industry must also vastly increase its research commitment for economic survival.

Given a suitable economic climate, Canadian-owned companies will take the lead. But Canadian subsidiaries cannot remain content to leave industrial research and development to head offices in other countries. And Canadian shareholders, as well as executives and workers, must press continually for R & D to be done *here*. Even to reach our interim of 1.5 per cent of GNP, the amount of R & D that Canadian business undertakes must more than double by 1985.

If we do this, if we mobilize for what already seems a global economic war, then we shall prosper. That is not my opinion, but a demonstrable truth. The alternative is to make Canada a technological backwater. I know that, faced with so clear a choice, we will select the proper course. We shall take the path that leads us to both beauty and prosperity; we shall not let these opportunities go by. We have in fact, already begun. To me, that is the best news of all.

Now if we propose solutions to social problems it is because we believe that they will work. And so we, all of us, must hold that someday the problems will be solved. Someday there will be no war, no famine, no illness, no crime, no exploitation, no alienation. And then what? Will that be the end of our need for research and development? No, for we shall still have the flame hidden in our hearts. There will still be painting and chemistry, sculpture and physics, music and mathematics and ultimately in Utopia that is what NRC will be all about.

The thanks of the club were expressed to Dr. Kerwin by Walter Pitman, a Director of The Empire Club of Canada.

NOVEMBER 19, 1981

Positive Nationalism for Canada

AN ADDRESS BY

S. Robert Blair,
PRESIDENT,
NOVA, AN ALBERTA CORPORATION

CHAIRMAN

The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Members and friends of The Empire Club of Canada: Today we welcome to our club for the second time Mr. S. Robert Blair, the President and Chief Executive Officer of Nova, an Alberta Corporation, who in the city of Calgary is affectionately known as Boss-a-Nova.

When Mr. Blair first spoke to this club on January 27, 1977 he was the President of Alberta Gas Trunk Line Company. That company's name was changed on August 6, 1980 to Nova, an Alberta Corporation, a name that better reflects the many facets of its endeavour and that allows flexibility to adapt to even more growth and change.

Nova has undergone a phenomenal transformation since the founding of the Alberta Gas Trunk Line Company in 1954. Originally charged with building and operating natural gas transmission facilities within Alberta, in less than three decades it has grown from eight employees to nearly three thousand. A Canadian-owned company with more than 60,000 shareholders from all parts of the country and all walks of life, its assets have increased from $400 million in 1970 to over $3.6 billion in 1980.

The architect and the driving force behind this remarkable success story is our guest speaker today.

Bob Blair, the son of a petroleum engineer, went into the oil and gas industry following graduation from Queen's University with a degree in chemical engineering. After eight years in field engineering and construction management of gas and oil pipelines and refineries, he joined Alberta and Southern Gas Company, becoming its President and General Manager in 1966. In December 1969 he became the Executive Vice President of the Alberta Gas Trunk Line Company and was appointed the President less than a year later.

In his book *Bob Blair's Pipeline*, François Bregha describes Bob Blair as a man of unique vision. He is a self-proclaimed nationalist who has dedicated himself to the creation of Canadian-owned and western-based industries, a pursuit that has brought him into conflict with both the eastern business establishment and some of Canada's largest foreign-owned oil companies.

A recent *Financial Post* article attributes his success to his strong leadership qualities, his willingness to take risks and his ability to motivate his fellow workers to bring out excellence and initiative all around him.

But whatever you hear and read about Bob Blair the characteristics that always come to the fore are his optimism and unshakeable belief in Canada's great future and his deep personal commitment to a united Canada. You may remember that when he spoke to this club in 1977 he said, "I am not first a western Canadian but first a citizen of a nation that includes western Canada and Ontario and Quebec." In Nova's annual report of 1980 he wrote, "Despite the strains presently felt in Canada I cannot conceive of a divided country. I cannot conceive of a Canada surviving without Quebec and I also cannot see it surviving without its west where destiny has allotted much of Canada's future production strength. Many western residents may be fed up with Canada just now, but I never heard them imagine a secure alternative."

Ladies and gentlemen, please join me in giving an especially warm welcome to the President and Chief Executive Officer of Nova, an Alberta Corporation, Mr. Sidney Robert Blair, an officer of the Order of Canada.

MR. BLAIR:

Ladies and gentlemen: By a factor of ten times, it would have been easier to me on accepting this engagement to have prepared for you a report on our company's projects and production. Safe indeed would have been the course of speaking on the blossoming new petrochemical production base in Alberta or the prospective enhanced oil recovery boom for Saskatchewan. With slightly more risk of controversy, the subject matter could also have been the future completion of the cross-Canada natural gas pipeline network and the Alaska Natural Gas Transportation System which is to cross three western provinces, the Yukon, and later the Northwest Territories. For all those projects I could have been leaning cheerfully on this lecture stand telling you, Empire Club audience, as my compatriots, about the progress being made, reporting with real pride on the vigour and competitive accomplishments with which many companies have suddenly, over the last half dozen years, given impetus to the new era of energy industry development in our northern half of this North American continent.

Safer than my topic even would have been to remark on inflation and the economic situation. However, out of my own feeling of conscience I elected instead to expose my personal view on a much more delicate subject, "nationalism." I say "out of conscience" because this seems to me to be such a vitally important subject that it is more responsible to open it up for discussion than to stay in the safer world of projects and production.

As a business manager I must and do accomplish certain completion and production objectives with my colleagues. If we didn't develop and achieve those objectives, our Boards and our shareholders would and should put the opportunity before other managers. But while fulfilling managerial assignments, we surely also have as individuals as much feeling and caring on the condition of our public constituency as anyone — each in our own way as much as any political person. Among my own public preoccupations is the question of nationalism, its pitfalls and its virtues, because my sense of history has impelled the conviction that Canada needs a new and particularly positive nationalism.

The virtue in a positive nationalism therefore became my subject for today. The sub-text should be "Canada has to be among the happiest countries on earth, so it should act like that." Let's look outward before turning in to look at ourselves.

We are part of the Western world of socially and industrially developed, or (as in our case) partly-developed, countries. This world is quite coherent and orderly in 1981 and can convey huge advantages of trade, and technical and cultural exchange upon its participants. We were created within this Western world in our own huge and still sparsely populated territory principally through the mentorship or protection at one time or another of three older nations: Britain, France and the United States. I have just listed three of the most fervently nationalistic nations ever and will get back to that subject shortly.

The role of this Western, relatively developed group is starting to include more and more the provision of assistance to the future development and partial nourishment of the South. That role is at present somewhat beyond the competence of the Western developed countries and beyond their willingness to act generously. But from the most informative studies the need for such a Western and Northern role is becoming progressively more clear and will tax the capacity of the Western countries fully during the next few generations.

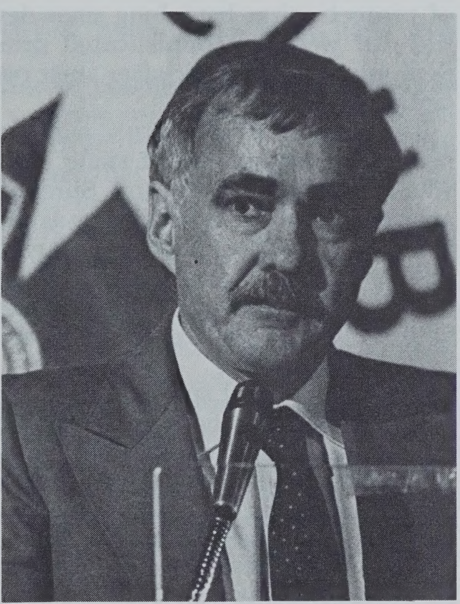
In this setting, the Western community of countries will need all of the strength and balance that its members can assemble together. Such balance includes variety and implies the existence of several strong Western nations, each with vigour and leadership. The United States will at times have domestic problems or national moods that impair its availability as a leader. The European Economic Community members have an erratic economic base to work from. Few of the developed countries have any hope of avoiding the national deficit problem of national energy supply deficiency which may interfere with their international obligations. Cultural and political variety in international response is and will be a fact of life for everybody. The point to this comment about the world is that the Western developed countries require all the strength and balance they can assemble, and that must include Canada as a strengthened nation.

The next point in my thesis is that positive nationalism is a virtue in that it is a necessary prerequisite to our putting Canada forward as a real nation. I do not think we are a real nation as yet. A real nation exists when, from time to time, the great majority of its population will put certain principles and national objectives ahead of domestic rivalry, ahead of local ambitions and local problems, and act in concert to carry out a national will that certain things be done or that particular situations be avoided. Within such a real nation there should be free and open criticism and occasional redirection of the national will. But where the national will is established in each generation its spirit becomes a fact to be recognized by leaders in every sector. Political leaders of various parties then sense a national will which they cannot ridicule or opt away from without serious peril to their political future, much as they may wish to bend it to their own view.

Business leaders, labour officials, professionals and public interest associations continue to do their own thing in many ways. But where they represent their nation or speak for their sector of the country in international communication, they must have regard for the national will as part of their individual responsibility. Or, if denying the converse makes this clear, citizens must generally desist from getting reassurance from the sympathy of "more enlightened" jurisdictions by scampering around to other nations with complaints that they are not having their way in Canada these days. That kind of activity would only be sensible if there were a total vacuum of national will in Canada. If there is indeed a partial vacuum, it is we who should be filling it ourselves. No one else can be expected to do it with our interests at heart.

Is there indeed a vacuum now in respect of national will for Canada? It appears to some that that is the case. Most big companies in this country seem more concerned with their problems with our governments than in speaking out as "our" companies in the sense that American companies, for instance, are "our" companies to the United States. Going through New York in the last day or two I was struck once again by how vigorously Mobil or Texaco or Exxon position themselves first as "our American companies" to the Congress, to the states and the public. America's problems are their problems, America's trade objectives have their support. Whoever may damn Yankees gets their corporate knuckles right in the teeth as the first round of response. I wish we received more of that in Canada.

Then how about the smaller companies at home? Their partisanship for Canada seems stronger, sometimes more vigorous, than our governments', but they have to take care not to come across as just "protec-



S. Robert Blair,
President,
Nova, an Alberta
Corporation

tionist." That can be an ugly word here, just as "nationalism" is an ugly word in some usages. Having built our history on our resources and market being relatively open to investors from everywhere, either directly or through local subsidiaries, we have inherited a very sophisticated and advanced respect for the mobility of capital and for the purest principles of international freedom of trade and professional standards. Sensitivity about the lost efficiency of protectionism is a highly polished attitude in this country. I suspect that few officials anywhere will blanch more quickly or apologetically when accused of protectionism than a Canadian public official. It has been part of career conditioning. Small business faces that fact. However, the older developed countries from whom we have been taught about the evils of protectionism have long since developed their own ways of wedding sophisticated principles with practical measures to look after their own companies to a certain level.

Everyone present in this audience who has been involved in international trade or investment knows what I am referring to now. Sure, lots of jurisdictions are open or partly open so long as their own companies are not hurt too broadly, but when many of their smaller organizations begin to get squeezed, the national will takes over and one way or another that national will prevails over the finest theories of international mobility.

Can the national spirit develop from the provincial governments? Maybe it will if they find enough common ground with one another. It would be great if it could because the provincial governments are close to their electorates and have great powers in Canada. However, the development of elements of the national will does not now seem to have much priority with them and perhaps will not for a long time to come, as a practical choice. What we must now address is the federal political process which has to be centrally involved in the nurturing of the will of a real nation. It does have other obligations and it has some structural problems of its own, but it is entirely available to take the words of the public into account.

So, to wrap up this theme, I will put forward the following roughly worded proposition for one kind of positive nationalism for Canada. It is surely time for us to show the world that we can become a real nation with identified Canadian purposes being more important than winning points off each other in regional disputes. Being the kind of people we are, this must come out of compromise and accommodation. Canada's population is too intelligent, proud and suspicious of autocratic management to concede to strong leadership unless that leadership is mindful of our history and the conventions of compromise which have been developed here.

But, being the kind of people that we are, which has too often been a quarrelsome kind of people, we will need more respect for each other and the setting back of old rivalries in order that what we will agree upon can be given the status of the national will.

Let's just start thinking like that, giving our support to each other rather than the back of our hands, cheering for those who campaign for the creation of a real nation which will enjoy majority support across the country. Let's above all turn our faces to each other to make the best of this country — turn away from any other nation as our natural or historic mentor. Eighty per cent of the land we claim as Canadian is still hardly populated except for the native residents who we say are Canadians. Let's solve this problem before a fracturing process makes some kind of United Nations trusteeship the logical solution to the management of this land.

I hope that I am with you in spirit today in saying these things to the Empire Club. You have an old name as a club relating to the past. You should keep the name intact for the new People's Empire of Canada. I remember this audience and I know a good deal of its quality. Although these things I have been talking about are not as easy to say as some other things, I feel the urgency and need here for a real nation such as I have clumsily but very earnestly tried to describe to you today.

The thanks of the club were expressed to Mr. Blair by Arthur Langley, a Past President of The Empire Club of Canada.

NOVEMBER 26, 1981

Strategies of Economic Policy-Making: Canada/United States

AN ADDRESS BY Dr. David W. Slater,
CHAIRMAN,
ECONOMIC COUNCIL OF CANADA

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Honoured guests, members and friends of The Empire Club of Canada: The Canadian humorist Stephen Leacock once said of economists that "apprehension is their business." Economists, as well as most Canadians, are indeed apprehensive about the state of the Canadian economy, with high interest rates, rising inflation and falling productivity all appearing to be beyond our control. Public apprehension before such alarming signs is only natural, but it is my belief that it also points to the fact that Canadians are quickly being pushed to a point where they will have to make and implement a number of crucial decisions.

Those words, ladies and gentlemen, are not mine but those of our guest speaker today, Dr. David W. Slater, Chairman of the Economic Council of Canada. They appear in his introduction to the Council's 1980-1981 Annual Report.

Dr. Slater was born and raised in Winnipeg where he graduated from the University of Manitoba with a Bachelor of Commerce degree in 1942. Like most from his generation he did not get an opportunity to put his new found profession to practice because immediately upon graduation he joined the Canadian Army Active Force, serving in North West Europe with distinction until the end of World War II. On demobilization he continued his studies, receiving advanced degrees in economics from Queen's University and the University of Chicago where he also earned his Doctorate in 1957.

Dr. Slater enjoyed a very successful academic career between 1946 and 1973 holding the position of lecturer at Queen's and Stanford Universities; Dean of the School of Graduate Studies and Research at Queen's University, President of York University in Toronto for three years before being appointed General Director, Fiscal Policy and Economic Analysis Branch, Department of Finance in 1973.

In 1978 Dr. Slater became a Director of the Economic Council of Canada and became its Chairman in September of last year.

It is my pleasure to welcome Dr. Slater to the Empire Club and to invite him to address us on the strategies of economic policy-making in Canada as they compare with those in the United States.

DR. SLATER:

Ladies and gentlemen: I could discuss with you the economics of inflation and growth, and the use of the "big levers" of monetary policy, fiscal policy, and exchange rate policy in the two countries. Or I could discuss with you industrial strategies in the sense of government roles in picking industries that are expected to be winners and losers. Both of these subjects are important. But I am not going to say much about either, partly because you have already heard a good deal about them.

I am going to address instead a more traditional set of economic issues, those concerning distortions and inefficiencies in economies. What are some of the important ones around? What role have government policies played in their development? What can be done about them?

In tackling this subject I realize that there is a risk of being seen as irrelevant. I am reminded of a story told me by the first of my post-war teachers who had by then become a vigorous proselytizer for Keynesian demand management. In Kingston in the early 1930s there was a study group of the Workers' Educational Movement. My mentor, Frank Knox, used to try to explain to that group the economic problems that had emerged, and the policy advice which he and the profession had to offer to improve the economic efficiency of the Canadian economy. With the deepening of the depression, the believability of his argument diminished and so did the group's interest. Could economic efficiency matter when unemployment rates ran over twenty per cent, and bankruptcy and collapse were rampant? You can understand why my friend switched his interest in economics and the advice he offered thereafter.

Do distortions and inefficiencies in the Canadian and United States economies really matter nowadays compared with interest rates, inflation, and unemployment? I am going to argue that they do matter, that the burden of distortions and inefficiencies is now a heavy one, that government policies cause or support a large part of the inefficiencies, and that changes in government policies can yield payoffs over the medium-term that are substantial.

Even if I am right, why talk about these things as elements of a strategy? Essentially because it is important to pick out a limited number of important items for policy attention, and to get these elements of reform working together. In this, I want to recall the lessons in economic policy which I learned after the war from another great man of Queen's and of Canada: W. A. Mackintosh. One of his basic theses was that economic policy and economic results accrue from many small actions. Often what is needed and what is possible is to get three, or four, or five things all moving in the right direction; each one seems small and ineffective, but the few together are mutually reinforcing and the total result is far more than the sum of the parts.

I believe that, in both Canada and the United States, an essential part of the economic strategy is to isolate those areas in which there exist clear needs for change and opportunities for marked economic improvement over the next decade. These areas are somewhat different in Canada and the United States and this is important to realize, so that we don't simply mimic the U.S., and also because many of the changes in the U.S. will affect us. It is useful for Canadians, but not essential, to learn from American experiences. In the end however, our list must be a made-in-Canada one.

I will identify a number of distortions and inefficiencies in each of the economies, some of the reasons for them, and the opportunities for improvement. I don't want to kid you that the costs and burdens of making the needed changes will be light; they won't be. There is no more a free lunch in making improvements in the structure and efficiency of economies than there is in increasing pensions, or improving housing, or filling the holes in the fabric of our income support system. And the incidence of the costs and the benefits is uneven too. Some of us may be winners and others, losers. I realize that if general economic conditions are bad, the willingness to undertake structural changes may be reduced. But I believe that in many cases the gains are worth the effort, and the adjustment problems can be coped with. Let me get down to some specifics.

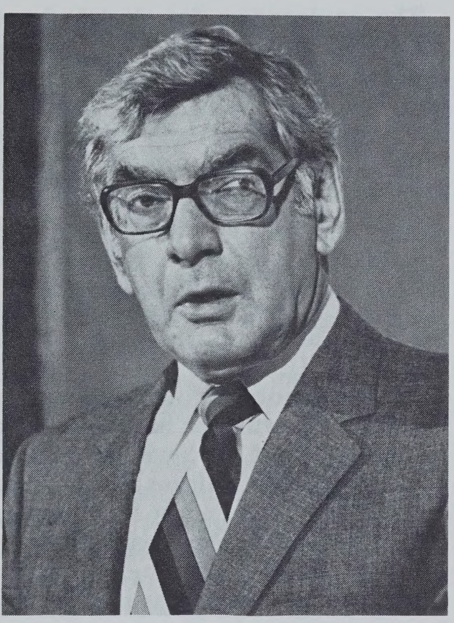
The Older Utilities — Railroads, Electric Generation, Gas Production and Distribution

In both countries, these areas offer enormous opportunities and present serious challenges with respect to existing distortions and inefficiencies. But for Canada the base from which we tackle the needs in these fields is generally much more favourable than that of the United States.

In Canada, these utilities are generally publicly, or para-publicly owned. In the United States, they are privately owned but subject to heavy governmental regulation designed to prevent the firms from exercising their monopoly powers. The heart of the matter then is economic regulation on the U.S. scene, and the administration of public enterprises on the Canadian scene.

For a very long time, the bulk of these older utilities in the United States have been subject to regulation with respect to rates, service, etc. Through much of the first twenty-five years after World War II, these utilities were able to invest and meet the market demand with very modest rates of increase in cost per unit of service. On this basis, regulatory authorities built up standards and procedures and a long record of holding rates down. Such well-developed habits change very slowly. Lo and behold, in the 1970s, when technological advance slowed, nuclear plants turned out to be more costly than forecast, oil prices quadrupled and other fuel costs increased, inflation and interest costs went up, the regulatory regimes were extremely sluggish and tight-fisted in agreeing to increased utility rates.

Eventually, responses to the first oil shock were made by the regulatory authorities. But then the second shock came, along with oil and gas deregulation in the United States and the Three Mile Island breakdown. The regulatory regime has far from adjusted yet to those changes in the United States, and, with a few notable exceptions, these industries remain troubled by poor returns on investment, weak cash flows and the inability to carry out the necessary



Dr. David W. Slater,
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of Canada

investment for the needed supply of the 1980s and 1990s.

The story has been very different in Canada. Except for the problems of the passenger service and those associated with the Crow rates, Canadian railroads have been providing better service, at competitive prices, making fairly decent competitive rates of return and investing strongly. After the Macpherson Commission in the mid-1960s, Canada moved quite strongly toward promoting competition and reducing regulation of movement of goods by rail. These changes, together with the expansion of bulk commodity traffic and aggressive commercially oriented management go a long way toward explaining this more favourable result for Canadian railroad experience.

The explanation for electrical and other utilities is different. Most of these in Canada are public rather than, as in the United States, private enterprises. They had the support of their governments as agents of economic development and the blessing of their governments in raising capital. Their main problem was seen to be one of getting a sufficient lead time on a rapidly expanding demand. Thus investment did not lag in the 1970s and early 1980s as in the United States; and this utility investment has been a major factor in helping the overall record of capital development in Canada in these years to be much larger than that in the U.S.

Canada is not without problems, however. Given the degree of government involvement in this sector, there is a danger that we have not recognized the very real costs of further utilities development. As a result we could develop capacity far beyond that which could be justified on the basis of demand based on an efficient pricing system in Canada. By encouraging consumption through artificially low prices, we could be uneconomic in the use of our real and financial factors of production.

Let me conclude this section by noting that Canada and the United States do share some problems. We, along with the U.S., face significant difficulties in finding appropriate pricing regimes for different classes of electricity users, and for the pricing of consumption at peak versus non-peak hours. Parenthetically, we should note that if the U.S. electrical utility pricing and rates of return become economically competitive, they will provide both markets and standards that point Canadian electrical utilities in the right direction.

Airlines and Trucking and Taxi-Cabs

In the spirit of being even-handed, let me turn to activities in which the distortions and inefficiencies are much worse in Canada than in the United States.

Most of you are aware of the major reductions in airline regulation in the United States in 1976. Trucking deregulation has begun as well and attention is now turning to the rail transportation industry. The jury will be out for some time on the degree of changes in efficiency, cost reduction and improvement of service due to these changes in the U.S. The case has been confused by the conjuncture of higher fuel prices, high interest rates, depressed economic conditions, and technological changes along with the reform in regulation. But I am convinced that the considered judgement will be that improvements in efficiency and reductions of unit costs and prices have occurred from the deregulation compared with what would otherwise have arisen.

Canada, at least to date, has not matched the strides taken in the United States, although our rail freight regulations are already more reasonable and efficient than those south of the border, with a resultant better rail freight system. And neither country has as yet made significant efforts to deregulate taxi cabs. As you may know though, the Economic Council of Canada has made serious recommendations based on an extensive research effort which advocate less and more efficient regulation of airlines, trucking, and taxi cabs. I might emphasize that we did *not* advocate a *carte blanche* acceptance of the American solution but rather we tailored our conclusions to match the social, regional and political realities of Canada. While the resistance to these proposals, especially on the part of the affected industries, has been monumental, I remain firmly convinced that we will someday summon enough courage to tackle these difficult issues in a significant way. It may well be that competition from the increasingly efficient U.S. industries will force this approach upon us. The question is, can we afford to wait for this to happen?

Competition Policy

Another area in which the United States has a clear and longer standing lead over the Canadian government is in the provision of an effective competition policy. At present in Canada, it is fair to say that there is virtually no effective mechanism to ensure the fairness and competitiveness of our markets. Yet the guarantee of free and effective markets is one of the primary responsibilities of government, one which could contribute greatly to the efficiency of the Canadian economy. Unlike the other areas that I have mentioned thus far, competition policy can work across the entire economy. Some sectors might not be affected at all, and in others the change might be minute in nature. But the cumulative impact over the course of years could be enormous. Again, I want to make it clear that Canada cannot simply adopt the U.S. system holus bolus. Both our economic structure and needs, and the basis of justice in Canada dictate that a made-in-Canada competition policy is the only acceptable alternative.

Financial Institutions and Saving

Finance capitalism has always been regarded as the top rung of the free market ladder; and with the United States as the pinnacle of the capitalist system, the uninitiated might expect to find the most highly competitive capital market arrangements of the world in that country. One might also expect to find the strongest encouragement to the generation and the efficient use of saving.

In certain respects these expectations are fulfilled. United States financial markets are highly developed and relatively efficient in handling mergers and takeovers, recycling petrodollars, and financing speculative activity in almost every commodity. But in some respects, especially in the generation and efficient use of personal savings, the U.S. system is remarkably backward and perverse. A strong streak of Puritan anti-usury ethic combined with memories of depression-era bank failures and a deep commitment to protecting the "little person" against financial manipulators have shaped the system.

Though changes are now underway, U.S. savings institutions have been strictly regulated as to what they could invest in, how much interest they could charge, what interest rates they could pay and so on. The system has been notorious for discouraging savings, and for diverting savings to particular channels, even though the rates of return were uncompetitive. Over and beyond this, the U.S. personal tax system has been sharply slanted, and still is, toward encouraging the use of credit, rather than saving. It allows, for example, interest on consumer credit and mortgages to be deducted in reckoning taxable income. Beyond this, the lending and loan guarantee activities of many U.S. government agencies have strongly supported a system of cheap credit for housing.

It is little wonder, therefore, that U.S. savings rates have been low, that U.S. housing investment figures have been high, and that many observers feel that these two elements are among the most important distortions in the U.S. economy. These are not the only problems however; other regulations on U.S. financial institutions have prevented the development of a nation-wide banking system, and may have slowed innovation in the provision of banking service.

In the next five years or so, the United States stands to make considerable gains — by altering its tax system to remove disincentives to saving, and by improving its system of banking regulations to match the growing needs of the U.S. economy. I should add, however, that there is one slight drawback in the recent moves toward reform of the U.S. financial structure; it has taken hold so quickly that it has been extraordinarily difficult for the U.S. monetary authorities to measure the changes in their monetary aggregates and to judge the tightness or ease of the system. It seems that changes to the financial regulations have made the monetary lever somewhat more difficult to manage -- at least in the short-run.

The Skeleton of Growth: Infrastructure

One area in which the United States may learn from Canada is with respect to something which we in Canada take almost for granted. That is, our economic infrastructure. Throughout Canada's history, our governments have co-operated to develop and maintain a very high calibre system of roads, bridges, communications systems, and the like, often in co-operation with the private sector. Principally through measures such as shared cost and regional development programs between the federal and provincial governments, it has always been possible to ensure that the responsible levels of government were able to meet their commitments with respect to the necessary infrastructure support.

This has apparently not been the case in the United States where infrastructural development, which may have been initially supported by federal government funds, has in large part been left to state and local governments for maintenance. The state and local levels of government have not always proven capable of maintaining this infrastructure, and as a result the network of roads, bridges and so on which link the United States together, and the systems of public transportation and sewage treatment and water supplies, have deteriorated. *Business Week*, a magazine not given to declaring crises lightly, commented in its October 26 issue: "So serious is the decay of the nation's infrastructure and so poor the prospects for its refurbishment that many sophisticated businessmen and economists believe the U.S. is entering a period of severe crises for state and local government."

The implications are quite clear. Without engaging in considerable efforts to help state and local governments to maintain and upgrade basic infrastructure, real economic development could be seriously eroded. Perhaps more importantly, the quality of life in the United States could decline substantially.

For Canada the problems are much less severe. Our basic economic infrastructure is sound, and we have maintained the mechanisms necessary to ensure that the various levels of government are able to meet their responsibilities. Certainly we must continue to upgrade our system, but we face nothing like the impending crisis which the U.S. must head off.

Footing the Bills

The United States infrastructural needs are matched in Canada by our enormous potential with regard to major individual investment projects. Energy is one clear area where I think we are all aware that new investments over the next decade and beyond have a good chance of providing the basis for strong economic growth. But there are many other investment requirements in transportation, further development of western agriculture, high technology growth industries, and the adaptation of existing industries. According to the Major Projects Task Force, Canada will require some $400 billion capital for major projects from now to the turn of the century, and this represents only one-fifth of the total projected investment in the economy.

The needs of the U.S. economy are likely to be equally great. *Business Week* estimates a need for $700 billion for infrastructure in the next ten years alone, and to this demand must be added projected increases in military spending, the great need for industrial restructuring in traditional manufacturing areas and the potential demand for new investment in the rapidly expanding sunbelt.

The long and short of this picture is that both countries face an era of unprecedented economic investment and demands for capital. To meet these demands without undue reliance on foreign capital investment will require both countries to foster their own resources, to increase personal savings and reduce government's dependence on debt financing. Moreover, as choices emerge among investment projects, both nations are going to be faced with the need to insure that the most economical projects receive the greatest priority for funds and assistance. I am not suggesting here that governments should actively intervene to ration funds. But I do suspect that governments will be playing roles in these major projects, and must therefore be extremely cautious not to tip the scales in favour of politically attractive, but low payoff investments.

As I noted earlier, by freeing up its financial system and taking steps to encourage savings, or at least to eliminate taxation prejudices against savings, the U.S. will be able to make significant gains. In Canada, on the other hand, we must be careful to avoid policies which discourage savings. These policies might appear attractive during short-term economic slowdowns, but their long run impacts could be devastating. The Canadian financial system must become more innovative in matching funds to the needs of its borrowers, especially in times of high and fluctuating interest rates. I am thinking here, for example, of the needs of mortgage borrowers who have been thrown unaware into what has become a large, and expensive floating crap game of fluctuating interest costs. But the business sector is also affected by these problems, and some novel and realistic approaches are required to handle the new economic realities.

Coping with Inflation

The need to deal effectively with widely fluctuating interest rates is itself symptomatic of another aspect of the current and prospective economic environment — inflation. Now I am not in favour of inflation, and I think we can reduce inflation rates without the extremes of Thatcherism. But there is no way of guaranteeing that inflation will disappear overnight, or forever. Therefore it is vital that we learn, if not to live in an inflationary environment, then at least to cope with its impacts.

One area where we have made considerable gains in this regard in Canada is in terms of individual incomes. Our social welfare system is now almost fully indexed to adjust for the effects of inflation, as is the personal income tax system. However, in two areas, the employer-based pension system, and the corporate accounting system, we have been far less successful.

The Canadian pension system, including government plans and employer-based plans, is still not adequate to meet the present needs and expectations of Canadians. Part of the inadequacy stems from the relative lack of coverage offered by private pension plans, and the lack of portability of these plans which severely reduces employee mobility. But the private pension plans also generally fail to reflect adequately the impacts of inflation. This shortcoming must, and will be resolved eventually. Either private schemes must change or, as some are advocating, the government's Canada Pension Plan or some other governmental system will be expanded. The status quo is unacceptable.

Room for improvement also exists with respect to the problem of adjusting corporate profits to reflect the impacts of inflation on asset values, costs and profits. I won't burden you here today with yet another description of the perfidious impacts of inflation on businesses, of how inflation distorts corporate tax positions, cash flows, and undermines the investment decision process. Nor will I indulge the temptation to reflect on the various options which are available to ameliorate these effects. But I do want to make it very clear that the failure to cope with the effects of inflation within the framework of the measurement and taxation of business income could seriously erode the investment potential of Canada and the United States in the future.

Conclusion

I have far from exhausted the list of areas where I think improvements in efficiency and reductions of distortions are possible and necessary. I haven't discussed areas of regulation, such as in agricultural products for example. I have not as yet made a dent on the special problems and needs of specific regions and sectors of the Canadian and United States economies. I have not even mentioned the scope which exists to reform the social welfare system to improve it as a set of social programs as well as to improve economic performance.

In all of these areas, and others, exist scope for the small changes which will cumulatively strengthen our economies.

These small changes are certainly not politically sexy. They will not excite masses to march on Parliament. These changes are not simplistic solutions. Finding the appropriate policies is going to be a matter of research and hard analysis and a high order of political skill and commitment. But taken together, these small changes can make a major difference to the economic development of Canada and the United States over the next decade or so. The time is ripe to make a beginning.

My priority list for the United States would include better rates of return in electrical utilities and railroads, reform of financial regulation, promotion of personal saving, strengthening of state and local government finance, deregulation of natural gas production and distribution, and a more economical use of government credit to support private activities.

My priority list for Canada is very different. It includes tougher efficiency tests for our electrical utilities, solution of the Crow rate problem, less regulation of airlines and trucking, a less regulatory solution to the problems of Canada's farmers, maintenance of saving, continuation of the existing strengths of Canada's provincial and local government finance, improvement of housing finance, reform of business taxation and of private pensions.

Harry Johnson, perhaps the greatest economist Canada has produced, wrote in one of his many essays of the legend of two giants named Gog and Magog whose fate it was to run around the world throughout eternity. Gog ran around the world forwards, never seeing where he had been. Magog circled the globe in reverse, never seeing where he was going but knowing full well where he had travelled. Neither of these giants would be successful at plotting a course for Canada over the next decade. But the two together would be one heck of a team. Our requirement is to be able to look back over where we have been, to see what we have done and learn from our experiences. And we have to be prepared to look realistically to the future, to see the pitfalls in advance and prepare accordingly. It won't be easy. But it will be worthwhile.

The thanks of the club were expressed to Dr. Slater by John Herrick, a Director of The Empire Club of Canada.

DECEMBER 3, 1981

Canada's Role in World-Wide Aerospace

AN ADDRESS BY John W. Sandford,
PRESIDENT,
DE HAVILLAND CANADA

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Members and friends of The Empire Club of Canada: A recent Air Industries Association of Canada report stated that the aerospace industry in Ontario was in a strong growth period that was expected to carry through to the end of the decade and beyond. Setting the pace for that growth, the report added, was De Havilland Aircraft of Canada, which with its new Dash 8 commuter airline program complementing its Dash 7 and Twin Otter short takeoff and landing aircraft would add 3,000 people to its present workforce of 5,000.

This is great news indeed and to tell us more about the aviation industry in Canada and its role in world-wide aerospace, and in particular De Havilland's contribution to that industry, we have as our guest speaker today the President and Chief Executive Officer of De Havilland, Mr. John W. Sandford.

John Sandford's involvement in the aviation industry reads like an adventure story. He started as an engineering apprentice at the age of fourteen with Westland Aircraft of England. Upon receiving his master's degree from the Cranfield Institute of Technology in 1957 he came to Canada and joined Avro Aircraft as a design engineer but soon found himself unemployed when the Avro Arrow program was scrapped.

He then joined a group of former Avro engineers to form Avian Industries in Georgetown where an autogyro was developed. However, he saw greater opportunities south of the border and joined Rockwell International where he worked in the forefront of the United States aerospace industry.

As Director of Engineering for advanced launch systems, John Sandford worked on the Apollo spacecraft and the Saturn V launch vehicle used for the manned lunar mission. The success of these programs led him to the development of the space shuttle program and it was his design that won the NASA contract for the production of the shuttle vehicle system.

John Sandford returned to Canada in 1974 as President of Rockwell's subsidiary, Canadian Admiral Corporation, until recently a major manufacturer of televisions and appliances.

He joined De Havilland Aircraft of Canada as its President and Chief Executive Officer in mid-1978 and in that capacity is responsible to the Board of Directors for all operations associated with the design, production and sale of aircraft and related products. He is also accountable for the company's financial performance and future growth strategy. Considering that sales jumped from 124 million dollars in 1978 to over 350 million dollars in fiscal year 1981 and the fact that advance orders for the new Dash 8 aircraft have surpassed a hundred, there is every reason to be optimistic about De Havilland's future in the aviation industry.

Ladies and gentlemen, please join me in extending to Mr. John W. Sandford the usual warm welcome to The Empire Club of Canada.

MR. SANDFORD:

Ladies and gentlemen: It is a great pleasure to be here with you today to talk about the world-wide aerospace industry and, specifically, about Canada's role in this industry.

The aerospace industry is a very exciting and dynamic one. The growth in aircraft, space and communications systems has been nothing less than miraculous. It's a little over fifty years ago that Lindbergh first flew solo across the Atlantic. Today, almost nineteen million people fly the Atlantic each year. In the late 1940s, a few experimental test pilots risked life and limb to break the "speed of sound." Today, the Concorde flies schedules every day with a hundred passengers at twice that speed. Most of you will recall the fall of 1957 when the Russians first put Sputnik into earth orbit. Since then we have seen man on the moon, close-up photos of the planets Jupiter and Saturn, and astronauts Young and Crippen return from orbit in the shuttle spacecraft and land on a spot in the California desert better than I can park a car in a nearby parking lot. To show that it was no fluke they did it again with the shuttle a couple of weeks ago.

In the area of communications, who of you now thinks twice about receiving television direct from around the world via satellite, or direct dialing most places in Europe, or an aircraft being guided through lousy weather onto a runway after it has flown four thousand miles, most of which is over open ocean. There isn't a business person here who isn't anxiously awaiting the introduction of the electronic mail system. Lots of people speak of high technology and then have difficulty in defining what they mean. What I have just described is my definition of the application of technology. That, ladies and gentlemen, is technology; that is the aerospace industry; and that is the industry that I am proud to be involved in. Is there any wonder why I claim it's exciting!

In order that you hardnosed bankers and business people out there don't regard me as a romantic "space cadet," let me give you a few facts about the business side.

John W. Sandford,
President,
De Havilland Canada

In the next twelve months the Western world-wide aerospace sector will sell over $100 billion in products and services. That is about forty per cent of the GNP of Canada — or about five times all the oil and gas, foodstuffs and minerals that we exported last year.

The industry has also been rewarding for its investors. *Fortune* magazine reports that the aerospace industry sector in the United States returned 20.9 per cent to the investor over the last ten years. That's even ahead of the mining, oil and gas sector that on average returned 19.9 per cent. By way of reference, over the same ten-year period, the auto industry returned a little over five per cent. Not bad, eh! This is really big league stuff.

So what about Canada? Not bad either. In 1981 the Canadian aerospace sector sales will be over $2.5

billion. Of this approximately $2.2 billion will be to the export market. The sales growth has been about three times over the last ten years. It is also noteworthy that it is an aerospace company that gives the highest return on equity to the investors in Canada — I'm sure that is a surprise to many of you. Today, the industry employs approximately 47,000 Canadians. Many of them are highly skilled workers and engineers.

The Canadian industry is very broadly based. For example, Pratt & Whitney is the world's largest supplier of small gas turbine engines. Canadair markets business jets, a seaplane and a surveillance drone. Every Douglas DC-9 and DC-10 that flies — and there are well over a thousand of them — have wings and other major structural components supplied by the McDonnell Douglas plant at Malton. Our aerospace industry also supplies specialized electronic equipment, rockets, guidance systems, radars, satellites and high quality precision castings. In addition, many of the over one hundred companies that make up the industry supply parts, large and small, to the makers of the commercial jets, like the 727, 747 and L-1011, that fly the world today.

About half a dozen years ago, Canadair and De Havilland were both acquired from their original foreign owners by the federal government. This makes you and every other Canadian a sort of shareholder in De Havilland — so, for the remaining part of this report I shall treat this as a quasi annual general meeting and address you as shareholders.

I think, shareholders, that you should know the Crown's decision to buy De Havilland back in 1974 was a smart one. Since that time we have experienced considerable sales growth. In our fiscal year 1981, which ended in May, sales were $350 million and profits were at a record level. This represents an almost threefold sales growth in three years. This was due to the continued sales of Twin Otters. To date we have delivered over 750 into about eighty-five different countries. The Dash 7 is also selling well and there are over sixty-five of this $7 million airplane out in service with eighteen airlines in eleven countries.

At this moment, shareholders, we are in the middle of a $60 million expansion at our plant in Downsview. This investment is being made for our new Dash 8 aircraft. Development of the Dash 8 will cost about $200 million. It has been underway for two years. The aircraft will first fly in 1983 and deliveries will be made following certification in 1984. The first one will go to Norontair. This aircraft will carry thirty-six passengers and is powered by two quiet turboprop engines. It is positioned in size between the nineteen passenger Twin Otter and the fifty passenger Dash 7. Every indication is that, because of its relatively high cruising speed and superior fuel economics, it will be a winner. Today, we hold deposits on over a hundred Dash 8 aircraft. This is an unprecedented kickoff to any sales effort in the history of your company.

All of what I have told you so far, shareholders, is good news for the future. However, I must caution you that there are some stormclouds ahead that could spell difficulty for your company and for other aerospace companies in Canada and the U.S. I would like to explain this a little more.

Two factors are at work that will cause major changes in the next few years. They are, first — a major rationalization of commercial jet aircraft design and manufacture. This will change the way the large companies like Boeing and Lockheed will do business in the future. This in turn will affect the Canadian suppliers. And second — many developing nations are starting to build up an aerospace subcontract and parts supplier capability. This could mean that the Canadian companies will be forced to compete against low wage countries when bidding to Boeing, Lockheed and others.

Back to the first point — rationalization. Throughout the post-World War II period the U.S. aircraft industry has supplied over ninety per cent of the large commercial aircraft. During the 1970s, shareholders, we have watched the major European aerospace companies join together to develop a commercial transport aircraft. They have called their combined company Airbus. It produces two types of wide-bodied jet aircraft that carry between two hundred and three hundred passengers. Airbus aircraft fly into Toronto regularly in the colours of Eastern Airlines. Max Ward recently ordered six Airbus aircraft. They have been extremely successful in selling their aircraft around the world, so successful that while companies like Lockheed and McDonnell Douglas are rapidly cutting back production, Airbus partners are trying to double their production output. One can see that Europe may produce as much as thirty per cent, or maybe forty per cent, of the world's larger commercial aircraft later in this decade. De Havilland, and the majority of our industry, do no work with Airbus — in fact you cannot unless you were a risk-sharing partner in the original design program for the aircraft. This means that we could be locked out of forty per cent of the available sub-contract business that today many of our companies in Canada depend heavily upon.

Boeing, Airbus and McDonnell Douglas are all considering the development of a new commercial jet. It would carry about 150 passengers. It has been reported in the press that Boeing is joining in partnership with Italy and Japan on this aircraft. McDonnell Douglas have signed an agreement with Fokker of Holland to team on their 150 passenger aircraft project, and Airbus already is teamed with companies in the United Kingdom, France, Germany and Spain. You will notice, shareholders, that I didn't mention Canada because, so far, we aren't involved in any development partnership.

It's not that bad — don't sell your shares in De Havilland yet. All of the teams I have just mentioned respect our capabilities and I believe we could join with one or all of them. However — it's not that easy. The name of the game has changed. These big name companies now demand that you join as a risk-sharing partner. Canadian companies will no longer be able to be major suppliers without having to put big money into the joint team kitty for designing and developing the new aircraft. If you want, say, ten per cent of the work on the aircraft, then you must ante up ten per cent of the total aircraft development cost; the pay-back will be on the same basis as the major team partner. These large commercial aircraft can cost as much as two billion dollars to develop and pay back can take over ten years. This is not an easy decision to take, shareholders, but you can bet we're in there with the government, taking a very hard look on your behalf. It is noteworthy that Canada is the second largest purchaser of commercial jet aircraft. In the past, Canadian workers have contributed to and benefited from this. It would be ironic if in the future there are no "Made in Canada" parts on these aircraft.

Now to my other point — the low labour rates of new competitors. Countries like Spain, Japan, Brazil, Korea, Greece, India and China have all increased their aerospace manufacturing capabilities during the 1970s. Japan is the largest. The aerospace companies in these countries are all seeking to become suppliers to the builders of the large commercial jets — these are the same companies that the Canadian industry has traditionally supplied for years. Our industry has in the past been innovative and cost competitive. Its main competition in being a supplier to, say, Boeing or McDonnell Douglas has come from American, European or other Canadian companies. The problem ahead occurs because these new countries now coming into the business have labour rates that are half or less than are paid to aerospace workers in North America.

To avoid going the way of the television, textile and auto industries, we in Canada must do the following:

- Use our skills to continue and to strengthen our unique indigenous products like the Dash 7 and Dash 8, the Challenger and the Pratt & Whitney engines.
- Join as risk-sharing partners in new developments like the 150-passenger aircraft — as a partner you become the sole source for various major parts during the production phase.
- Continue, and at a faster pace, with the production modernization programs started in the 1970s. Here the government has been particularly helpful.
- Continue with research and development programs and develop skilled engineering teams and manufacturing people.
- Provide further tax incentives to attract private sector funds to the high-technology, high-risk research and development programs.

I believe, shareholders, that if these broad actions are taken we will continue to grow. We have demonstrated our capabilities with the major sales growth achieved in the 1970s. We have strong management and market teams. We have a skilled and educated workforce. We have good facilities and equipment, and limited support programs already exist within the federal government, but they need improvement.

In summary, shareholders, Canada participates well in the big league of aerospace. The government understands the value of the industry and continues to support it well. Changes are occurring that are causing a whole restructuring of the aerospace industry in the world. Canada must quickly respond to these changes in order to grow in areas where we have done well in the past. I believe we will — so hold on to your shares. This industry is still going places — dare I say up!

The thanks of the club were expressed to Mr. Sandford by Peter Hermant, a Past President of The Empire Club of Canada.

DECEMBER 10, 1981

Conservatism — Myth and Reality

AN ADDRESS BY Peter M. Blaikie,
NATIONAL PRESIDENT,
PROGRESSIVE CONSERVATIVE
ASSOCIATION OF CANADA

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Mr. Minister, distinguished guests, members and friends of The Empire Club of Canada: Speaking to the Empire Club in October 1966, Dalton Camp, the then National President of the Progressive Conservative Association of Canada, had this to say about the state of Canadian political parties:

> We, in Canada, must be considered by the rest of the world, if they consider us at all, as a nation of certain fixed irresolution. Our political parties are models of piety, full of ritual, liturgy and platitude, timid about change, standing forever in the shadows of history, reluctant to embrace the true spirit of the party system, free speech, open debate, the clash of ideas, and hesitant before the rising spirit of democracy.

Whether Dalton Camp was unduly harsh on political parties in general and the Tories in particular, and whether the state of political parties has changed much during the past fifteen years I will leave to you to judge, but permit me to observe that parties continue to be criticized for the lack of fresh ideas to deal with the nation's problems, for having leaders who lack the confidence of the electorate, and for failure to enrol the active support of large segments of the population. I have even heard that Conservatives sleep in twin beds and some even in separate rooms and that is why there are more Liberals.

To dispel such and other myths associated with Conservatism, we have as our guest speaker today Mr. Peter Blaikie, the incumbent National President of the Progressive Conservative Association in Canada.

Born and raised in Shawinigan, an industrial community of 40,000 in Quebec, Peter Blaikie grew up at ease in both of Canada's official languages and the two principal cultures.

A brilliant scholar, he completed his studies in English and economics at Bishop's University which led to his selection as a Rhodes scholar. After two years of studies in politics, philosophy and economics at Oxford University, he returned to Canada to enter the faculty of law at McGill University, graduating as a gold medallist in 1956.

Since his admission to the Quebec bar, he has practised law in Montreal in a firm of which he is a founding member. Until he became active in politics a few years ago he taught economics and law successively at Loyola, McGill and Concordia Universities.

Peter Blaikie first ran as a Progressive Conservative candidate in Lachine, an urban Montreal riding, in the 1979 federal election. Although unsuccessful he obtained nearly 13,000 votes — the best result of any Conservative member in the greater Montreal area. He again contested this riding in 1980, receiving thirty-four per cent of the votes, a minor triumph in the context of Quebec results.

Ladies and gentlemen, it is my pleasure to invite Peter Blaikie, a bright young rising star in Canadian politics and undoubtedly one of our future political leaders, to address us on "Conservatism — Myth and Reality."

MR. BLAIKIE:

It is a very great honour and pleasure for me to be with you today. It is perhaps appropriate and ironic that your chairman should have introduced me beginning with a passage from Dalton Camp's speech in 1966. I hope to emulate Dalton Camp in some things, but not all. I was also pleased that when the President of the Liberal Party of Canada in Ontario was introduced there was modest applause — which proves that in the face of the most recent Gallup Poll the Liberal party is down but not out.

I am rarely accused of excessive timidity and even today my friends are not going to let me get away with it. I accepted this invitation with, I admit, some trepidation. I know that this is a club that has had an enormous range of distinguished speakers in the past. Your chairman has just given me the list of people who will speak in the coming term, and I do feel a certain sense of awe. On the other hand, I learned that the Prime Minister of Canada spoke to this gathering in 1972. He survived, so perhaps I can as well.

Thinking about the Empire Club, as I thought what I might say, led me to think about Empire and brought to mind Benjamin Disraeli who was one of the founders of Empire. He also happens to be one of those political figures I admire. Disraeli was a great wit and one of the things he said which I feel is appropriate at the moment is this. He was asked to draw the distinction between a tragedy and a calamity. Disraeli said in response, "If the Prime Minister were to fall into the Thames that, I suppose, would be a tragedy. If someone were to fish him out that would be a calamity." Today we could substitute our Prime Minister or perhaps the Minister of Finance.

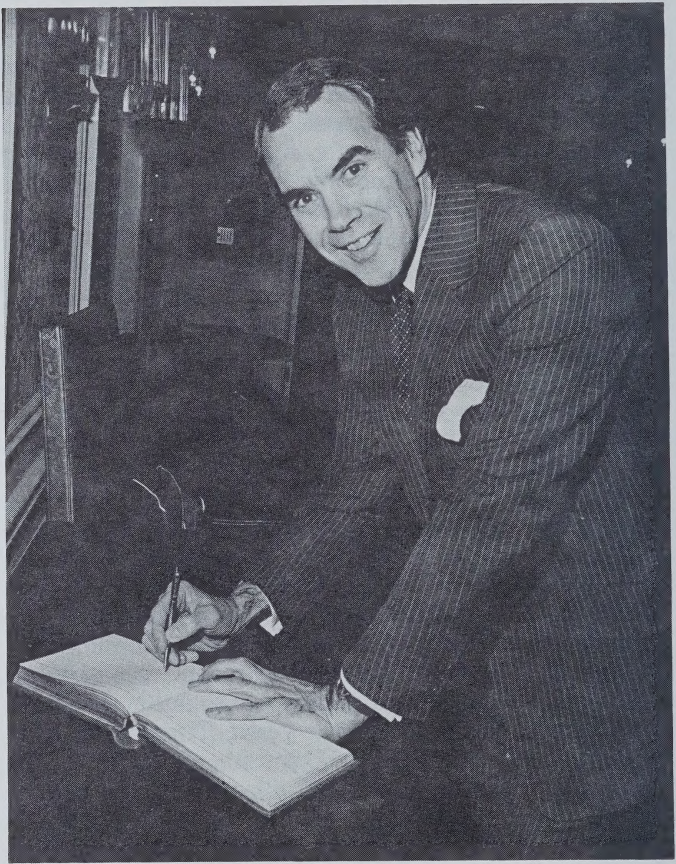
I was speaking last evening to one of the people who works very closely with the Conservative party. She asked me if I had a text as she would like to see it. I replied that I did not have a text. She is here today and I can see her white knuckles from here. You'll recall that when the Prime Minister spoke in Vancouver recently he spoke without a text but from the heart. What I hope to do today is speak from the heart without losing my head.

I don't come before you as an expert in anything particular. I don't come with the weight of any great office of state. Allan Fotheringham reminds me of that periodically. As a matter of fact I have an approach to Allan Fotheringham. I say if he ever dares say something nice about me I'll sue him. I really come as an ordinary Canadian — someone who has become involved in the political process, someone who is trying to understand what has gone wrong in this extraordinary land with all its potential for greatness, and someone who is trying to participate in putting it right.

What I would like to do today is talk about three things — first of all, briefly, about the budget; secondly, more generally, about the economy; and thirdly about the country. I do so in a very personal way.

I think that one of the very few members of the federal Liberal Cabinet who can travel this country from coast to coast and get a good reception anywhere is Jean Chrétien. He and I grew up together. We have known each other for many years. There may have been something in that background — a small, industrial community away from the large centres, on the edge of the Pre-Cambrian Shield — which gave us both a sense of this country. When Jean Chrétien talks about the Rockies being his and when he talks about Canada in a very physical way it is something to which I feel very sensitive. It is something which across this country is a very real part of how Canadians feel about the land.

I was deeply upset at the Prime Minister's remarks in Vancouver because I have been travelling the country for the last eight months. I have been in every



Peter M. Blaikie, National President,
Progressive Conservative Association of Canada

province. I have been in the Yukon. I have been in most provinces more than once. It may well be that we don't know as much about the country as we should. The country is vast; the country is complex.

But one thing is certain and it is that Canadians care very deeply about this country and they care about it in a very positive way. I was profoundly shocked that the leader of the nation could suggest something to the contrary because I don't think it fits the facts.

A few brief words about the budget. There are no doubt many people here today who are more familiar with the details of that budget and its impact than I am. Many of you are experts in various fields and have had occasion to study it. What I would like to do is talk briefly about what I think are the attitudes behind that budget and why we have come in 1981 to that sort of position.

The first thing that struck me as I listened to Allan MacEachen on budget night — in between listening to the pundits who seem to have dominated the event — was a sense of complacency, a sense of smugness that emerged as that budget was being delivered. I think that was again true last night when the Finance Minister spoke to a group in this hotel and said that Canadians misunderstand the budget. Canadians misunderstand the National Energy Policy. This seems to illustrate the principle that "Everybody is out of step but our Jimmy," and I just don't accept that. There was a feeling in that budget, and it's been growing through the years, that somehow the state has a right to everything Canadians produce and by some grace and favour it allows us to keep part of it. I don't believe that is a principle on which any nation can be built.

I think back to a very famous tax case. There may be some tax lawyers in this room who remember it. I don't remember the name but it was in the 1930s or 1940s when the British House of Lords said, "No man is required to so order his affairs as to permit the state to put the biggest shovel into his stores." That, ladies and gentlemen, is not the attitude of this Minister of Finance or of this government. That to me is fundamental and it goes beyond any particular provision of the budget.

The second thing that disturbed me about the budget was that once again the government seems to be selling a fiscal position on the basis that we are going to "sock it to the rich" and we are going to give something to everybody else. The fact is quite simply that this is not true. Fortunately, I have the best evidence because a Conservative Member of Parliament, John Thomson, who sits for Calgary South and who by his own admission is rich, gave an interview to Richard Gwyn. He said, "If I had to write a budget for my own personal interests this is precisely the budget I would have written. My income and my net worth will increase by fifteen to twenty per cent a year."

I have no quarrel with those who are rich although I am not myself. There is something here which is very fundamental. In history there have been countries where there have been a few rich and many poor. We are not and never should be that kind of a country, but I put it to you that in a country where there are no rich there will be only poor because it is precisely by the process of creating wealth that all of us in this country have been able to become comfortable notwithstanding the difficult times through which we live. That process of creating wealth is important. In my opinion it is fundamentally dishonest to present this budget as being something which is going to "sock it to the rich." The fact is that this is a budget which is aimed at the productive middle class. This has become a huge group in this country which is going to pay for it essentially.

There was a third very disturbing element of that budget which, I think, is part of this government's philosophy. Over the years, because the government wanted to develop certain programs and because it wanted to encourage certain kinds of activity, tax exemptions or tax preferences if you like were created. One can think of them in oil and gas, in the area of films, the MURB programs and many others. They were a specific form of government policy. In MacEachen's budget and in the subsequent media coverage those have become "loopholes." Those people, who in good faith took advantage of those situations, are now somehow tainted. I happen to be one of them, and I resent it. First of all, none of them has done very well and so it ended up costing me double. That's neither here nor there. That proves that I should practise law and not try to do business. The point is that enormous numbers of people, many of them with relatively modest incomes, are being treated by this government as though what they have done is slightly immoral. That is a very dangerous approach to nation building.

There is a fourth thing and it's fundamental. As a Conservative, I believe that, to the greatest extent possible, people should be permitted and be helped to become independent of the state. This government, over the years and specifically in this budget, is making it more and more difficult for ordinary Canadians to be independent. Many of you know the details. They relate to insurance policies, registered retirement savings plans and other individual activities. The basic thrust is that more and more Canadians of modest income will be less able to protect themselves financially as they get older. That is not a proper foundation for a strong, free, prosperous nation.

Finally, in its overall impact, this is a budget which is anti-creative, anti-invention, anti-innovation and anti-risk.

I have a law practice where I deal primarily with entrepreneurs. These are people who have started small and have built businesses. I have no quarrel with big business, but the history of the last fifteen or twenty years, both in this country and in the United

States, demonstrates that the growth, innovation and risk is being taken not in the huge established businesses but amongst entrepreneurs and risk takers. This is a budget and a philosophy which is opposed to that. For the people of this country, in the long term, that will prove to be a disaster.

In recent weeks, as a result of what I consider to be pressure that has been brought to bear, it appears there will be some changes made to the budget. Let's hope there are. That should not lull us into failing to understand what is going on in the Department of Finance, because one of two things is true. Either the government knew what this budget was going to do, in which case it was reckless, or it did not know, in which case it has no right to be a government. Ultimately, our political officials have to be responsible.

To turn more generally to the economic situation: again I don't propose to try to paint all the details, but to try to look at what has happened in the country, why we have come to where we are and to ask where we go from here. I will try to do it from the perspective of someone who is a small "c" conservative as well as a member of the Conservative party.

It is fair to say that throughout the 1950s and the 1960s, as I began to vote and began to be involved in the political life of the nation, I voted for the Liberal party. In the 1950s it was a party which I viewed as a liberal party in the traditional sense of that word and as a party which understood the private enterprise system. I have not done so since 1968. That makes me a real minority in the province of Quebec, not just as a Conservative but as an English-speaking Conservative; there is no group which has been more faithful to this government than English-speaking Quebecers. I sensed then, and I think it has been proven true, that what would happen under the leadership of Pierre Trudeau in economic matters is that the state would intervene more than ever before.

Too often our attacks are ill-directed. I am not really sure that Pierre Trudeau is a socialist. There is something that bothers me even more than that as I look at what has happened over the last few years. It is the absence of any sense of economic direction. I would be less concerned if I felt there was a plan and some direction because that would be something that we could really combat. There has been an enormous increase in the amount of state intervention, but it has not, in my opinion, been planned or directed. A great deal of it has happened in a rather haphazard way. The massive thrust of all Western industrial countries in the past fifteen or twenty years has been the concept of redistribution of income. I don't think anybody in Canada would seriously think that we are going to turn back the clock in terms of the welfare state. It is here and it will remain in terms of its basic objectives and its basic programs. The mistake has been made in believing that you can solve all the problems by redistributing income. Quite simply, there isn't enough to go around.

You may recall that last week the Prime Minister spoke rather casually about interest rates. He said that high interest rates were not a matter of government policy and that they were our fault. If you read *The Globe and Mail* article you will have seen the lines, "We're not in the business of determining interest rate policy; we're in the business of redistributing money." That is the essential thrust of this government, and I think it has been very dangerous.

First of all, it has led to an enormous concentration of economic power. Those of us who believe in individual liberty know that the chief enemy of individual liberty is enormous institutions, whatever their nature. This has not been a period which has been good and encouraging for new development.

Secondly, once you have taken that position, you slow down the whole process of economic growth. I happen to believe in economic growth. It is essential that the Conservative party clearly and positively takes that view. If we are going to do that, we have to decide what kind of economic system we want in this country.

There is no doubt we have what is often referred to as a mixed economy. If you look over the past fifteen or twenty years, it is a mixed economy in which an increasing portion has become either directly or indirectly the property of the state. A lot of it has happened in a way far less dramatic than the transactions which are on the front pages of the newspapers. It has been done by smaller and very effective companies being purchased directly or indirectly. One of my own clients in the word processing business, which has been a very successful company, is now the property of the Canadian Development Corporation. It continues to be a successful company, but once again you have a situation where the state has increased its influence and its power. Domtar, which I continue to think of as being in the private sector, is in fact owned forty-two per cent by the government of Quebec. There are other situations across the country where this has been happening.

We have to make a basic decision. I believe in the market economy. I believe in the free enterprise system. I also happen to believe, and it has become a word one is almost afraid to use, in capitalism. I do so for a number of reasons, and I think it is important that we talk about some of them. People who make the kind of speech I am making often say, "We believe in the system," without trying to explain why. It's important that we try to explain why.

First, I believe in it because it is the only system which is consistent with individual freedom, which I value very deeply. I am not blind to the history of the system. I am not blind to its flaws, but the overwhelming importance of individual freedom, not only in personal activity but also in economic activity, weighs very heavily in favour of the free enterprise system.

Second, we have history. Thirty or forty years ago, when there were not many countries in the world which could be described as socialist, it was perfectly reasonable for the "jury to be out." But today, in 1981, we have enough evidence that socialism just does not work. The old aphorism, "If you weren't a socialist at nineteen you had no heart and if you weren't a conservative by twenty-nine you had no head," is just not true anymore. Socialism is a system which does not work.

Third, capitalism is not a system which has primarily benefited the wealthy and the powerful. In fact, if you look over the whole range of human history, it is only under free market economies that the true gap between those who are rich and those who are not has narrowed. There are any number of people from Eastern Bloc countries who will testify to that. Those of you who have read the books of anybody who has lived in or studied those countries carefully know that those are the facts. Capitalism is a system which has been most able to provide equality of opportunity. In fact, if that is one's wish, it's the system which has produced the best and fairest distribution of what is produced. It is also, and to me this is extremely important, the only economic system which does not require to be worshipped as a type of religion. It is a system for producing goods and services. What we do with them depends on other political decisions.

In 1956, Harold Macmillan, the Prime Minister of England, subject to heavy criticism, as Prime Ministers tend to be, was asked why he was not producing a "vision" for the people. His response was, "If the people seek a vision, they should see their Archbishop." He was using that in a very broad context, but I suggest to you that one of the ultimate defences of the market economy is precisely that it does not impose on us the way in which we must live. It is a mechanism for producing goods and services. It is the best system and one we have to be prepared to defend.

Having said that, the next question is "Where does one go from here?" First, people like yourself have to be prepared to defend that system if you believe in it. It has to be defended in public speeches, in universities, in schools, before trade unions and across the country. There are obviously any number of people in this room who can do it.

The situation is now such, and it's very sad, that political parties to a great extent feel that they are not able to stand up and defend these principles. You can stand up and defend the trade unions — the NDP has no problem doing that. But, somehow, we all feel inhibited in defending the basic system which produces our well-being.

I think it's time that people in the business community became prepared to serve in the front line. We have often talked about being involved in politics. I don't necessarily say that everybody should leap to the barricades and become a candidate, but you cannot back off in defending the system. There are some things one can do in a practical way. For example, in recent months the oil companies have decided that they are going to defend what they think is the truth and what they think is the right position. They have been taking a series of advertisements in the newspapers. Whether I agree or disagree with everything they say is immaterial. It's a good thing that they are doing it, because at least there is a counterweight when the headline on the left side of the page reads "Pricing inquiry told about unscrupulous practices of oil companies." It's time for the business community generally to stop feeling intimidated.

Let me give you another example: I do so with some caution. Recently, there has been an inevitable outcry about the situation of the banks. The Minister of Finance would like to blame the banks for all the problems. He talks about the banks "bleeding a little." The NDP is calling for heavy taxes on excess profits and legislated interest rates at ten per cent.

The fact, quite simply, is that when the government is borrowing at 19.5 per cent on Canada Savings Bonds there is no financial institution which is going to be able to function at ten per cent rates. I don't hold any particular brief for the banks. I owe them far too much money. I pay them far too much interest. What I do hold a brief on is their right, and more than that, their obligation to defend their own position. That, precisely, was the purpose of an intervention by Michael Wilson in the House of Commons a few days ago which has generated a certain amount of controversy. I think that Michael Wilson was trying to create a forum in which those financial institutions could demonstrate that they are good "corporate citizens." We have to be very careful, as citizens of this country, before we allow such attacks to build on fundamental institutions.

We talk about economic nationalism. The banks, to the best of my knowledge, are almost exclusively owned in this country. They are part of a huge complex of financial institutions, many of which are not doing particularly well as a result of current interest rate policy.

I am not here as an apologist for the banks but they, amongst others, have to be prepared to speak in their own defence. I have a very specific suggestion if there are some bankers here. You may recall a couple of years ago that Alf Powis, who then and now is the President of Noranda, did a series of advertisements. I regarded those as extremely successful. Not everybody is as telegenic and charismatic as Alf Powis, but for the Royal Bank today to have a series of advertisements which say "When you succeed, we succeed," when what people are seeing across the country is the bank succeeding when they are failing, is perhaps not the wisest public strategy.

I would suggest to the Royal Bank that they consider having the Chairman or the President go on television and start explaining something about the financial system. I really don't need Anne Murray to tell me why I should bank with the Canadian Imperial Bank of Commerce. In the United States today, there are an enormous number of companies which are using either their chief executive officer or a senior executive officer to do commercials on behalf of the company. I believe that's a good step.

Somehow, in this country, we have to stop the growing war between labour and management. There are any number of groups which are responsible for the situation, but ultimately the entire population is going to suffer from that war. It's a war which is largely unnecessary and which can only be brought to an end if those who own, manage and run companies take a different approach to their labour relations. They must make it clear that the interests of management and labour are largely synonymous. It's remarkable how many people who work as trade union members or otherwise understand that perfectly well. They know that you don't pay increased wages out of last year's losses, that you only pay them out of last year's profits. Unfortunately, an incredible spirit of distrust has grown. It's been fostered and helped along and it now threatens to destroy, or at least seriously damage our entire economic structure. Those countries in the world today which are largely avoiding the serious economic strains that we face are countries which have been able to solve these problems and to introduce a sense of partnership between management and labour.

Let's not forget we are long past the age when human beings could not be replaced on assembly lines. In the days of robots, computer-assisted design and computer-assisted manufacturing, there is only one resource that really counts and that is brain power. That's human resources. In the information society, machines and those who run them have a very different role to play. We all have a responsibility there.

There is a tendency in the Conservative party to shy away from that whole area as though somehow the Conservative party and its position were inimical to labour. While I don't expect to ever win Dennis MacDermott to the Conservative party, nor do I expect to win Jim Kinnaird in British Columbia, I tell you that we can win the votes and we can win for the system the support of an enormous number of ordinary working men and women across this country. It's time we started saying it and its time we started doing it.

If you permit me just a few more minutes I would like to talk about our country, and I do so perhaps from a slightly different perspective.

I think that we have not sufficiently celebrated what has taken place in the last two weeks on the constitution. I believe we need some celebration. It has been a very difficult year and a half. It has been a very difficult ten years if you like. It's a long way from being over, but I think we need that touch of celebration. There is credit for all in what has happened.

I became, if you like, an active non-Liberal in 1968 because I felt Pierre Trudeau would not achieve a vision which is honourable. I don't think anybody, or at least I hope nobody in this room, would suggest that Trudeau's vision is not an honourable one — the vision that across this country people of either English or French language and origin could feel comfortable. It is and will continue to be an honourable vision. It's a vision which has become twisted, thwarted and which has not yet been achieved, but he deserves credit because in the final analysis he did move away from some very rigid positions. The Premiers also deserve credit.

There is one other person who, I think, deserves enormous credit and has not sufficiently received it. I was disappointed, and I hope some of you were, that Canada's "National Magazine" *Maclean's* could write an editorial and a major article about the constitution without a word of the text referring to Joe Clark. The fact is that without his lonely courage in the fall of 1980 we would not have had the constitutional agreement that we are in the process of getting. If he had not intervened, the Prime Minister would have pushed the original resolution through. There would have been no public hearings, no Joint Committee of the Senate and the Commons, no chance for the Supreme Court to decide, and there would have been greater division in the country than there is even today. It's important that we all remember that he played, in the face of enormous obstacles, within the party, within the media, and within the public, a role. It was not the leading role, but it was an important one.

The question is, "Where to from here?" We all have a sense that it has been with us forever. That's partly a result of the immediacy of television, but the fact is that we have only just begun the process of deciding what this nation is going to be. It's the first phase. The immediate difficulty — as it always appears to be — is a crisis within Quebec. I am very optimistic. What happened on the weekend, internally in the Parti Québécois, should give rise to a number of different feelings. First of all, one of horror, horror that two thousand Canadians would stand and give an ovation to a convicted terrorist. In fairness, when that crowd stood and gave that ovation to Jacques Rose, René Lévesque was as horrified as anybody else. If you saw the news, the television cameras panned to Lévesque's face and he was devastated. So there is that feeling. There is also relief, because finally the position is clear. It's established, it's on the table and the people of Quebec finally will have to "fish or cut bait." That's something which they have been able to avoid until now. It cannot be avoided much longer and there is obviously concern as to what will happen.

In that context I make a plea. Historically, the people of Quebec have been more generous to their minorities than the government of Quebec. That's certainly been true in recent years and I think it remains true today. There remains a great fund of generosity in that province towards its minorities. It's probably true in the rest of Canada, historically, that governments have been more generous than the people toward their minorities, at least to their French-speaking minorities.

I have had a sense in the past year that that was changing. I have had a sense of a growing spirit of generosity amongst the people of Canada. I am concerned that what has happened in the last month, with some extreme language by René Lévesque, will damage that increasing spirit of generosity. I ask you most sincerely to remember that at all times, because I think, more than ever before, Quebecers are going to look to what happens in the rest of Canada to see how governments, but more important, how the people of Canada interpret the new constitution and the new charter.

There are other things of enormous importance which are going to have to be done. In this entire debate, we have really hardly stopped to think about what the true nature of this country is going to be. We have not even begun to talk about the distribution of powers between the central government and the provinces. Obviously, that is at the heart of any federal system and it's something we are going to have to do as a nation. We cannot keep putting it off.

Equally, we cannot allow it to be exclusively in the hands of governments and political leaders.

The people of Canada, and in particular, groups such as this, are going to have to become involved in that process. We are also going to have to decide whether this country can continue to function as it has with a parliamentary system, whether that system can continue to work well. There are two dangers and I ask you to consider them.

First, what's been happening to an increasing degree over the years is that we have been grafting a presidential system onto a parliamentary system. Most people now go to the polls to vote for a Prime Minister. The result of that is a weakening of the system across the country. It has led to the situation where the Liberals have virtually no representation west of this province and the Conservatives have no representation in French Canada.

The second thing we have to do as political parties is to define ourselves. It's part of my reason for being in politics. For a political system to work, people really do have to have a choice between what one can call a small "l" liberal and a small "c" conservative party. That is our challenge as a political party. It's not an easy one because we do it in the face of legislation which is proposed and which we constantly have to oppose. We do it, unfortunately, in the face of a passion in the media to concern itself with the internal workings of a Conservative party. It boggles my mind today that the party whose leadership you constantly read about in the press is the Conservative party. Don't those people who write and who are on television have any interest in the leadership of the Liberal party? That surely should be the primary subject of concern and not the leadership of the Conservative party. I can assure you that it is in good hands.

One final word. I think what has happened in 114 years of Canadian history is that we have preserved a union. Now we have to decide whether we are going to build a nation. It's an enormous challenge; it's an exciting one; and I feel honoured to be part of the process. I also feel honoured to have had the chance to be with you today. Thank you very much.

The thanks of the club were expressed to Mr. Blaikie by Henry N.R. Jackman, a Past President of The Empire Club of Canada.

DECEMBER 17, 1981

Christmas Luncheon

GUEST OF HONOUR The Honourable John Aird, LIEUTENANT GOVERNOR OF ONTARIO

CHAIRMAN The President, BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Your Honour, distinguished guests, members and friends of The Empire Club of Canada: Christmas. That word has almost as many meanings as people in this room. It's the wide-eyed awe of children visiting a department store Santa Claus . . . It's the cheery sound of Sally Ann bells . . . It's lights and tinsel . . . It's Bing Crosby . . . It's hustle and bustle . . . It's an inner warmth that begins inexplicably deep in the heart of even the most jaded . . . It's the aroma of spices from the kitchen that brings back forgotten places and faces . . . It's the sound of carols . . . It's family and friends . . . It's home.

Christmas is all of these things. They might vary slightly in significance because of our national heritage, but they are there. And if you look back far enough they are all based in the true message of this celebration of the birth of Christ: "Peace on earth, good will toward all men."

Christmas is also tradition and The Empire Club of Canada has a number of fine traditions. One of the happiest of these is the presence of the Lieutenant Governor of Ontario at this annual Christmas party.

Your Honour, on behalf of all who are gathered here today and those of our members who could not be present, it is my pleasure to extend to you, to Mrs. Aird and to your family our best wishes for Christmas and the New Year. We pledge to you our deepest affection and loyalty, and through you to Her Gracious Majesty, Queen Elizabeth II.

Ladies and gentlemen, I am honoured to invite His Honour, John Aird, the Lieutenant Governor of Ontario to bring us greetings on behalf of Her Majesty the Queen.

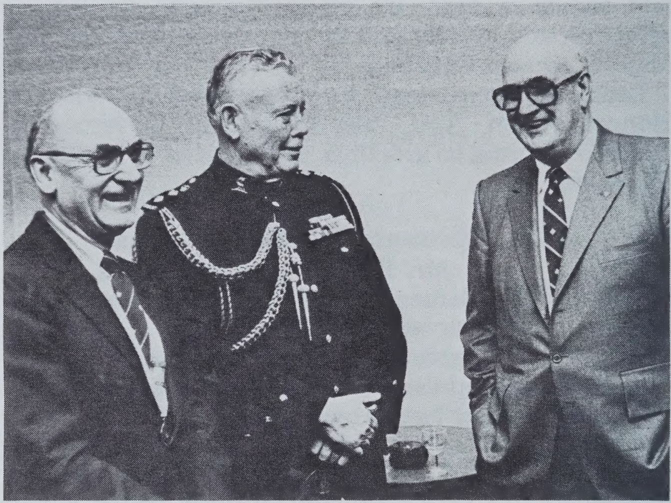
THE HONOURABLE JOHN B. AIRD:

Mr. President, distinguished guests, ladies and gentlemen: Thank you very much, Mr. President, for your warm welcome.

I do bring you greetings with the greatest of pride as Her Majesty's representative in this great province of Ontario. This has been a splendid year for the Crown in Ontario. It does not seem so long ago that we were honoured by the visit of Her Majesty the Queen Mother, in this very room and in other places in and about Toronto. We also had the wonderful visit of Her Royal Highness Princess Margaret shortly thereafter. And if I might speculate slightly and look forward to 1982 I am sure we are all looking forward to the visit of Her Majesty the Queen, perhaps sometime in the New Year.

Permit me to say several things of a rather more personal nature. I look across the room at the choir and band of the Grenville Christian College from Brockville. You heard your President talk about the meaning of Christmas. These young people, and I understand there are seventy-two of them, got up at 3:30 this morning and boarded the buses at five o'clock, and they are here in a spirit of Christmas. They deserve a special hand from us.

Could I also say something else which gives me great pride. Amongst the gathering today there are two most distinguished Canadians. They are two very dear friends of mine who have been most supportive of me as I endeavour to carry out the great traditions of the



President S. F. Andrunyk, Colonel Frank McEachren,
the Honourable John Aird

office of Her Majesty's representative. Could I ask the Right Honourable Roland Michener and Mrs. Michener to please stand? If I have to look for an example of how I should conduct myself I don't really have to look very far.

I do bring you greetings on behalf of Her Gracious Majesty. I do wish you all the very best of greetings on behalf of Jane, my dear wife, on behalf of our four children and seven grandchildren, all of whom are under the age of eight. So you know what kind of Christmas we are going to have. I wish you well. Thank you very much.

BGEN. ANDRUNYK:

Thank you very much, Your Honour, for your message.

Ladies and gentlemen, it is now my pleasure to introduce the ladies and gentlemen who share our head table today. They are nearly all members of the Empire Club family. (*Introduction of head table guests.*)

The Empire Club of Canada is an institution and like all institutions it succeeds because many people participate willingly, cheerfully and energetically in its day-to-day affairs.

Two very important persons in this regard are Eleanor Cook, our executive secretary, and Betty McAdam, our office secretary. I am pleased to have this opportunity to publicly recognize their invaluable contribution to this club. I also want to thank two of the secretaries at the Ontario Safety League, Rita Renda and Tanya Blanchard, who keep up with much of the Empire Club correspondence which I, as the President, generate.

I would also like to express the club's appreciation to the Royal York Hotel staff which meets our needs in a most professional manner. In the forefront of this group are Tony Hauth, the catering manager; Harry Bittner, the assistant catering manager; and Adriano Ferreira, manager of banquet services, who sees that our Thursday meetings are conducted without a hitch.

Our thanks also go to Stanley St. John, our faithful pianist, whose music we have enjoyed for so many years, and to Murray McKercher, the club's photographer, who records on film our weekly meetings.

Another person who deserves our gratitude is George Stafford who for many years has been the chairman of our Christmas Luncheon Committee. He, almost singlehandedly, takes care of all the details that annually make this luncheon such a great success.

Finally, each year the Christmas Luncheon is the time at which we honour our Immediate Past President by presenting him with a commemorative scroll signed by our Honorary President, the Governor General of Canada.

During his Presidency Dr. Reginald Stackhouse conducted the affairs of this club with great dignity and superb efficiency. It is my pleasure to present him with this scroll with the thanks of over two thousand admiring and grateful members of The Empire Club of Canada.

DR. STACKHOUSE:

Mr. President, Your Honour, fellow members, ladies and gentlemen: Thank you, Mr. President, for this impressive scroll signed by yourself and the Governor General of Canada as the Honorary President of the club and awarded in the presence of our Honorary Vice-President who so warmly and devotedly represents the Crown in Ontario; and I am happy to add also in the presence of a distinguished former Governor General and a former President of this club. So I thank you, Mr. President.

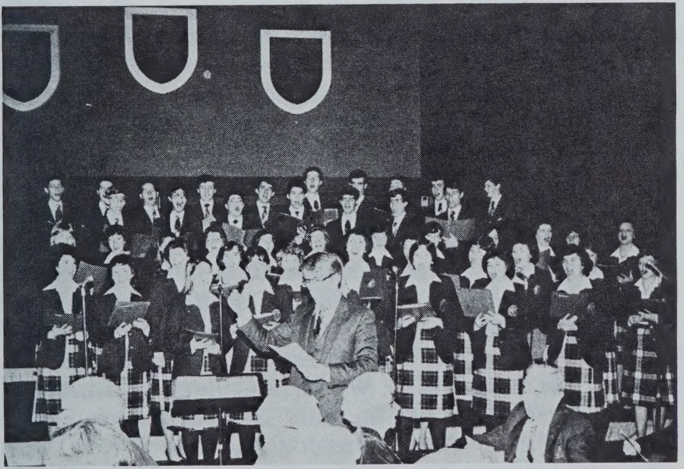
Christmas is a time for giving thanks. One blessing for which I give thanks at this Christmas season is living in this country. The tragic news of this week surely makes us all the more conscious of how precious a thing freedom is. So precious it can be seized by those who threaten us. I refer to this at our Christmas Luncheon because events of this week have shown the importance of the public forums the club provides. Democracy's life breath is the free air of open debate and each week this club offers an incomparable forum for exchanging ideas on great issues. This may not seem much to us when we are so accustomed to enjoying it, but I can believe there are many in this room who could tell us what a privilege this forum is. I am therefore thankful for the honour of having served this club and this society, making as it does such a contribution to keeping democracy alive in this great country of ours. Thank you.

BGEN. ANDRUNYK:

Thank you, Dr. Stackhouse, for those kind remarks.

It is jokingly said that behind every successful man is a surprised mother-in-law. Of course, we know that is not true. Success in any organization or in a marriage depends on a partnership in which people respect, encourage and support one another. As a small token of our appreciation and admiration for her understanding and assistance during her husband's year as the President of this club, I now invite Henry Stalder, our First Vice-President, to present Margaret Stackhouse with a bouquet of roses. (*Presentation of roses by Henry Stalder.*)

Ladies and gentlemen: you have heard enough from me. It is now time for us to enjoy a program of Christmas music by the Grenville Christian College Choir under the direction of the College's Musical Director, Stewart Gillis.



The Grenville Christian College Choir

Grenville Christian College, located in Brockville, is a residential school for boys and girls of grades seven to thirteen with an enrolment of two hundred. It provides a learning atmosphere of love and discipline where the student can achieve full potential — mentally, physically and spiritually. It is wholly owned and staffed by the members of a community of convinced Christian people who have dedicated their lives to the service of others under the dynamic leadership of its Headmaster, the Reverend J. Alistair Haig.

Please join me in giving the Grenville Christian College Choir an especially warm welcome to the Empire Club.

A program of Christmas music was then presented by the Grenville Christian College Choir and band.

BGEN. ANDRUNYK:

Ladies and gentlemen, the appreciation of the Empire Club will be expressed by Major General Bruce J. Legge, the President of The Empire Club Foundation and a distinguished Past President of the club.

MGEN. LEGGE:

Mr. Chairman, Your Honour, Reverend Sirs, fellow members of The Empire Club of Canada: Our distinguished President has given me the impossible task of rendering an appreciation of this great and festive occasion.

In the first place, the Reverend Dr. Reginald Stackhouse, the Principal of Wycliffe College, is honoured for his presidency of the club. Dr. Stackhouse knows it was another kind of theologian, Mark Twain, who described his ambivalent position: "I don't like to commit myself about Heaven and Hell. You see, I have friends on both sides." In The Empire Club of Canada we are on the side of Heaven whose music we have heard today in the exquisite and enchanting carols of the choir of the Grenville Christian College. At Christmas we are always inspired and entertained by superb musicians, but on your behalf I can say that this young Christian choir is "nulli secundus," second to none.

We Royalists in the Empire Club respect the patronage of music and the arts as a traditional example of the best that is the Crown in Canada. We thank Your Honour for being our Honorary Vice-President and for so unselfishly serving all the people of this province as the representative of Her Majesty the Queen of Canada in such an infinity of ways. This Christmas meeting allows us to publicly acknowledge our thanks to you both in your appointment and in your person.

Perhaps it is just because it's Christmas that some people want to throw their arms around you, and there seem to be other people who want to strangle you simply because it's Christmas — with all its commercialism. In this splendid Royal York Hotel we praise the hotel for half a century of serving our club so generously. Canadians are said to like fat books and thin women — if the Royal York continues to nourish us so well, we will have to reverse the adjectives in The Empire Club of Canada because we certainly enjoy these bounteous Christmas luncheons. There is also the fairy tale side of Christmas with its merriment, good cheer, the happy indulgence of rich fare and Santa Claus. In a previous life Your Honour would be able to recall that politicians are often seen as Santa Claus by a majority of voters at election time. The great Al Smith, when running for Governor of New York, used to wryly comment that give-away politicians were always popular because "nobody shoots at Santa Claus."

On this very day our world is burdened with political cruelty. The military tyranny in Poland is destroying the last vestiges of "good will toward men." We can only thank God for our safety, freedoms and comfort in Canada. It is a gift that no one could ever truly merit, and as we grieve for Poland and Afghanistan and a myriad of countries where people are tormented, we can reflect on the transitory nature of political wickedness. At the time of the Saviour's birth in Bethlehem one of the most powerful Romans ever to be Emperor was Caesar Augustus and the Gospel recounts that "A Decree went forth from Caesar Augustus that all should be taxed." It was because of that order that Mary and Joseph were compelled to make the arduous journey to Bethlehem where the Prince of Peace was born.

Only students of history and devout Christians now know who Caesar Augustus was, but the preachings of the Prince of Peace have come down to us for two thousand years. Mr. President, I thank you and the members of The Empire Club of Canada for promoting "the interests of Canada and the Commonwealth" and the Benefactors of the Empire Club Foundation for simply being generous benefactors.

BGEN. ANDRUNYK:

Thank you, General Legge.

Ladies and gentlemen, will you please stand for the singing of our national anthem led by the Grenville Christian College Choir. Kindly remain standing while the Vice-Regal party leaves the room.

My warmest Christmas greetings to all of you, and may 1982 bring you much happiness and prosperity.

JANUARY 7, 1982

Directions for Economic Policy

AN ADDRESS BY The Honourable Michael H. Wilson, P.C., M.P.

CHAIRMAN The President, BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: "It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to heaven, we were all going direct the other way."

Every student has read that introduction to *A Tale of Two Cities* by Charles Dickens.

He was describing other times two hundred years ago. Yet, any reader of today's newspapers or listener to radio or viewer of television might conclude that history is repeating itself, for current talk also swings in sharp contrasts.

Today The Empire Club of Canada is pleased to welcome as its guest speaker, the Honourable Michael H. Wilson, Member of Parliament for Etobicoke Centre and the Progressive Conservative finance spokesman. He will share with us his views on current federal economic policies which affect every one of us, and to a great degree, determine whether we judge the times as good or bad.

Michael Wilson is a native of Toronto where he attended Upper Canada College and the University of Toronto prior to entering a business career. In 1961 he joined Harris & Partners Limited which later merged with Dominion Securities Limited, one of Canada's largest investment firms. In 1973 he was appointed Executive Vice-President of Dominion Securities with responsibilities for all international operations and government finance activities.

During this period, Michael Wilson also made time to serve his community. He was the Vice-President of the Canadian Club of Toronto during 1976-1978 and he worked actively with the Canadian Cancer Society between 1966-1979 serving as the President of the Metropolitan Toronto Branch and Ontario Campaign Chairman.

Michael Wilson was first elected to the House of Commons in May 1979. A month later he was appointed Minister of State for International Trade in the Clark government. The May 1979 issue of *Saturday Night* described him as "the brightest and the best of the covey of corporate enterprising gunslingers the Tories have sprung loose in and around Toronto." I am not sure whether he approves of the reference to himself as a gunslinger. However, the provisions of the November 12th budget have certainly given him plenty of targets to shoot at.

He was re-elected to Parliament on February 18th, 1980 and has served as his party's spokesman for industry, trade and commerce, energy and more recently, finance.

Ladies and gentlemen, it is my pleasure to invite the Honourable Michael H. Wilson to address us on the subject of "Directions for Economic Policy."

THE HONOURABLE MICHAEL H. WILSON:

I am honoured to be asked to speak to The Empire Club of Canada. I have attended many of your meetings and in recent days have completed reading *The Best Talk in Town* by Scott Young and Margaret Hogan. As most of you will know, this book weaves together the substance of many speeches delivered to members over the first seventy-five years of the life of your club.

This book records that, in 1927, Stanley Baldwin, then Prime Minister of Great Britain, warned the club:

> Freedom, which you guard so well in Canada, freedom can only be maintained, as has often been said, by constant vigilance. A democracy can only be maintained when every man, woman and child in that democracy means to do everything in their power to make that community better, stronger and freer.

In this, the first meeting of your club in 1982, I want to stand back a little from the political fray. I want to point to some of the directions in which I believe Canada is moving.

The reality is that Canada is moving in directions that are making it less strong, less free, less proud, less happy.

In the face of negative trends in our country, as a people we have become too unaware, too apathetic. We have neglected the stern advice given two hundred years ago by the Lord Mayor of Dublin that "the condition upon which God hath given liberty to man is eternal vigilance." In place of guarding our own freedoms, we have left too much of the care of our freedoms in the hands of our elected and appointed officials.

No ultimate responsibility for freedom should be left with bureaucratic officers or ministers. It is inevitably dangerous: the natural instinct of ministers and bureaucrats is to seek to broaden their own power and it is almost axiomatic that broadened governmental power roots in the carcass of individual citizens' freedom.

This, I suggest, is happening in Canada. We are becoming less self-reliant. In accepting, in our apathetic way, dubious actions and initiatives of governments today, we are preparing ourselves psychologically to demand increased government services in the future.

The growth of government power cannot fail to alter the political and economic interrelationship within a nation. The Polish people, in their gallant effort to reassert their right to personal freedom, stand as a witness to the truth of that statement.

This epic in Poland must remind us that the fate of freedom depends profoundly on the conviction to sustain the principles and values which are the foundation of our freedom and the determination to oppose any erosion no matter how small. I often wonder if we in Canada understand what freedom we have and whether we are prepared to fight to preserve it.

Consider the past ten years in Canada. Cast your mind back to the introduction of price and income controls through the Anti-Inflation Board just six years ago. It was the most comprehensive intervention into the private enterprise system this country has known outside of wartime.

Justified or not, the Prime Minister and his government found themselves in a position of great power when the prices and income policy was introduced. But power breeds an appetite for power: at the end of that year Mr. Trudeau gave voice to his thoughts that the market system was not working. He advised that we would have to become used to increased government intervention in our lives and involvement in our individual decisions.

Thankfully there were those among us that were vigilant and vocal. There was a storm of public protest as eyes were opened to the direction he was

The Honourable
Michael H. Wilson,
P.C., M.P.

proposing. He backed away. His more recent musings have told us of the "magnificent" private sector! He understands the power of words.

As I work in Parliament I see Canada being moved in directions that will make it less strong and less free. Freedoms are being eroded. It is not because freedoms have produced problems and therefore must be restrained; it is because we have not understood the eroding effects of successive government and bureaucratic policies and actions.

Mr. Trudeau repudiated his earlier musings but his governments have proceeded with their substance.

Think of the number of ways in which, in the past six years, the government of Canada has moved to broaden its own powers and to undermine the will of individual Canadians, to undercut the viability and confidence of Canadian companies — both small and large. We are a different country than we were six years ago.

I suppose recognition of that trend may be the principal reason why I am in public life. Increasingly I sensed the taking over by government of decisions that should be made in Canadian homes, on the farms, in the fisheries and forests, in the private businesses. Governments will always try to encroach on the private domain: a strong bureaucratic government can only be successfully constrained by a strong private sector.

If the private sector is not strong the public will turn to government. Real needs clearly must be met. But government also has a tendency to push aid to the people: the politician wants to be seen to be busy and humanitarian; he wants to win the next election. The bureaucrat rises when his empire expands beneath him and so he pushes the activities of government.

Peter Russell, political science professor at the University of Toronto and research director for the McDonald Commission, recently exposed another interesting perspective:

> All countries that are capitalist and are experiencing little or negative growth are going to have difficulties maintaining a society with civil liberties. There will be strikes, lockouts and negative public reactions to our economic problems. We have to make certain, that in the face of this kind of instability, government and police respect the civil rights of individuals. For those rights may be the only certainty upon which we can proceed with any assurance into the future.

For the past six years — the post-musing years, they could be called — we have been told that Ottawa is reducing regulation and cutting back their involvement in our lives. Let's look at the words used to describe the action and then look at the action itself.

Let's start our examination with the recent budget. It is billed as a budget of restraint. The word from Ottawa is that government will reduce its share of the national income.

The reality is that government tax revenues will increase this year by thirty-one per cent, and by fifty-two per cent over a two-year period. Federal government spending will increase by twenty-two per cent.

This will be extracted from a national economy that is growing at the rate of about fourteen per cent.

More fundamental than the raw numbers is the effect of the budget on the motivation of individuals and corporations and on spending preferences. The budget totally misunderstands the importance of motivation and incentive in our lives.

Let's compare what is happening with what are the real national objectives of Canadians.

There is a need and desire for more investment by companies and individuals. In the short term this will result in more jobs and in the longer term a more competitive and productive economy which, in turn, means more jobs and secure jobs. We all agree that's what we want.

The budget attacks this objective.

It reduces incentives to invest — it attacks job-creating investment. It does this when, incredibly, it reduces capital cost allowances for corporations, it restricts the ability to deduct the interest cost on funds borrowed for investment, it emasculates the Small Business Bond and requires a deemed realization for capital gains in share exchange mergers.

There is a major shift of private investment capital to government revenues from individuals through changes in income averaging annuities, RRSP deductions, the 12.5 per cent dividend tax on small business and the taxation on life insurance.

This is doubly damaging.

First, it is negative in terms of funds available for investment.

Second, Canadians have always used life insurance, pensions and RRSPs to build security for their own future. This should be sacrosanct. We save and plan to ensure continued freedom from concern and reliance on government support in later years. But the government is intruding — it will discourage this saving or, at best, make it less effective and more costly through changes in taxation of life insurance, annuity contracts, retirement allowances and RRSP deductions.

Another area: Canada's future is recognizably built upon the future of high technology companies, smaller oil and gas, mining and other resource companies. Government has intruded into their ability to manage their own growth: the budget denies them expansion capital through changes of the taxation on mergers. In today's economic situation in Canada how can these companies structure their capital base and broaden their product mix and compete on the markets of the world if Ottawa extracts the valuable capital when they effect share exchange mergers to achieve these objectives?

The budget statement focuses on equity as a newly discovered ideal, but the important statement is between the lines. For as Aldous Huxley once said: "Idealism is the noble toga that political gentlemen drape over their will to power." And de Tocqueville pointed out that "The sole condition required to succeed in centralizing the supreme power in a democratic community is to love equality or to get men to believe you love it."

The truth is that the equity professed by the budget is one that seeks to deny individual differences among people. They seek a collective equality not of opportunity but of results. It is an assault on both ability and justice.

That is not, of course, the way that those in power explain it. They dress it up under the moral cloak of social justice, and claim a monopoly on compassion.

Canadians don't have to be lectured on social justice and compassion, for these things are already part of our ethic. Canadians understand that all men do not prosper in life and we have always been ready to assist those who suffer unduly, those who are honestly disadvantaged or who, through no fault of their own, cannot support themselves.

In other ways the government has moved to undermine the will of individual average Canadians and Canadian companies to build and maintain the competitive and entrepreneurial base of our democracy.

Let's go back a year and look at the budget of 1980 and the National Energy Program which was its principal thrust.

The stated objectives were self-sufficiency, Canadianization of the oil industry, equity between regions and players in the economy.

The objectives, as stated, were reasonable. But the further objective — the unstated — was to centralize control in Ottawa of a dynamic, independent, growth-oriented industry.

How to do it? Do it while appealing to the natural desire of Canadians to own a greater share of the industry. Do it quietly and say little of the true objectives. Do it by administrative fiat. *Don't let Mr. Trudeau muse out loud!*

A key element was accomplished by switching from an exploration incentive system to a grants system, while collecting the funds through very heavy taxation of the industry.

You must understand this. Under the old system you could reduce taxes by increasing exploration or through other positive activities. But now the process is to tax everybody very heavily and then give grants to companies of the government's choice. In a simple administrative/tax shuffle the control becomes total.

In addition, they nationalized twenty-five per cent of privately owned lands in the Crown Land areas.

There is no time to go through the details of the effects of the National Energy Program in the past fifteen months. The reality is that the oil and gas industry has not recovered. It is in economic and administrative disarray. Activity is down. People, equipment and money are leaving the country. The government has created an environment in which entrepreneurship and risk-taking investment simply cannot function.

What happens in such an environment? It is happening. Exploration and development are down. Production of oil is not being increased now or prospectively.

There is a national need for expansion in the production of oil. What can a future government — charged with the responsibility of energy security — say or do? It will say, "The marketplace isn't working." It will say, "The private sector isn't doing the job." It will say, "We, the government, must do the job!"

The stage has already been set with the establishment of a grant system in lieu of exploration incentives. This would allow arbitrary control of decision-making in the petroleum industry.

It is easy to say, "That is great. We should have greater control of our oil companies." But governments that start to confiscate, that attain greater control, don't stop. It grows. It is dangerous.

At a minimum the experience with the oil companies will provide a precedent for expanding into other industries and nationalizing "in the public interest."

The banks may be the next victim. The mining industry is advocated by some. Maybe there will be greater control of the newspapers as, in effect, projected in the Kent Commission.

It would be unwise to accept on faith the assertion in the recent budget that the National Energy Program techniques are not appropriate for other industries. Remember, the Income Tax Act was to be only a temporary tax.

The mining industry attack has perhaps already started. The 1981 budget, in fact, hits the industry hard in three areas. It has been hurt in three budgets in the last ten years. And this government squeeze has happened against the background of a weakening competitive position internationally.

I cannot take the time today to follow all the paths toward Ottawa-government control that trace through the Canadian economy. But we should be warned that our Canadian arrangements are being fundamentally altered in very subtle ways.

Government itself is tangling the paths — new objectives are defeating stated existing objectives. For example, Canadianization of the oil industry, visualized in the 1980 budget, had clear merit if done fairly and sensibly. But the 1981 budget attack on private investment funds and the disincentives to save and invest will obviously retard the Canadianization process so the process won't be working too well.

What will government say? It will say, "The market system isn't working. It needs government." It will say, "There is a need for a new government investment program." Again there is a potential for increase in government intrusion, a backing out of private decision-making, an increase of power in the offices in Ottawa.

The list goes on.

In the case of foreign investment, all agree we critically need huge capital sums over the next ten to twenty years. But we frighten international capital through provocative Prime Ministerial and other ministerial statements, through threatening to increase the regulatory powers of the Foreign Investment

Review Agency and through confiscation of the assets of foreign corporations. If the government continues to frighten foreign capital away there will be a capital shortfall in Canada. Projects will not proceed, small companies will find it hard to raise capital, our standard of living will fall. The result? Pressure on government to increase the government's role in the economy.

Consider the process in the housing industry. As a consequence of a weak economy, high interest rates, delays in regulatory approvals, a range of governmental roadblocks, we are building too few houses. Starts have declined year by year since 1976. The private sector isn't doing its job. So there's a place for new government intervention and activity.

The 1981 budget provides a classic example of my concern. First it hits the industry with three adverse tax changes. Then it replaced a successful incentive system, the MURB program, with a direct government loan program with all its arbitrary implications.

When queried as to the reason for the shift from the incentive-based MURBS to direct loans, the Minister's response was that there was some misallocation of revenues, some homes were built where they were not needed. So because the private sector wasn't performing perfectly, he took unto the government the decision-making power of how to allocate those resources. Builders in effect now work for the government because government says where the money will be spent. They have lost some freedom of decision.

I don't need to tell you that there is always the potential for some misallocation! That's why private investors sometimes suffer the severe discipline of losing money. That's the nature of our system. But can an Ottawa bureaucrat better decide whether there should be investment in a subdivision in Scarborough versus Etobicoke — in West Vancouver versus North Vancouver — than can the local people putting up their own money?

It is a basic issue — whether to use grants or incentives.

The bureaucrats prefer grants. It gives them control over investors and entrepreneurs. They claim grants are more cost-effective. But to be cost effective a bureaucrat, with no money on the line except that of the taxpayers, must consistently make better judgements than a large number of businessmen and investors who suffer personal losses if losses occur. Will the bureaucrat more often than the private investor be right when he says "yes" or "no"? I don't think so.

Grants are sometimes the right procedure but the inherent danger must always be recognized. They are an instrument for expanding Ottawa's control of decision-making everywhere. As a general process they are dangerous.

This example clearly shows how, as the effectiveness of the private sector enterprise system is undermined by government policies, the machinery for greater government involvement is being established. I am deeply concerned that this continued undermining of the private enterprise system will irrevocably damage that system. It can take us not only to a less productive economy, but to a central and concentrated system with greater dependency on a powerful centralized bureaucracy, and a less effective free market.

On previous occasions I have expanded on a program of government policies which would introduce productive economic tools to work with the producers in the marketplace. These policies would not interfere with the producers but would constructively encourage them in developing competitive capability and leadership in new technologies. Canadian business is already recognized throughout the world for its leadership in mining and oil exploration technology, agricultural advances and breeding stock, in medicine, communication and high-tech sciences, in urban transit development and a host of other accomplishments.

We know that we have the innate skills. What we must do is bring out the best in these skills through conscious incentives. Government must work with these skills — not try to control them. If we are able to strive for excellence in this country, if we are able to encourage the international leadership that we know is within our grasp, we will reap greater rewards — rewards that will allow us to provide the government revenues to finance the social services that we have come to expect.

These policies of productive economics, as I have called them, must encourage investment in new technology, new plant and equipment, new mines and advanced farm machinery. It is this investment which will strengthen the industrial base and the small and medium-sized companies which form the heart of our economic capacity. It will also build the safeguard to allow our system to resist government encroachment, to make more government unnecessary, to protect the framework of freedom that Stanley Baldwin spoke of in 1927.

Freedom is the power to fulfill our emotions without hindrance or restraint. When embodied in a political principle, it is the right to act or not to act according to one's own judgement, so long as one does not perpetrate fraud or initiate force or hindrance against anyone else exercising the same freedom.

Freedom means that no individual is bound to a permanent position of class or economic status.

Freedom means every one has equal opportunity to the challenges of life, to achieve what they can by their own wit or merit. Freedom means not having to rely on arbitrary government decisions.

In the depths of the Great Depression, Stephen Leacock addressed the Empire Club with these thoughts on what he called the "profit system."

> After all, what does the Profit System mean? That every man works for himself, that the economic interest of the individual is the basis for society; fundamentally, my property is mine, my work is mine, and the fruits of my work, the results of my brain and my industry . . . That is mine, and there is no other system of running society and there never will be.

Leacock brought the meaning of economic freedom down to its very basics.

It is in the context of what I have outlined here that clearly demonstrates the distinction between the philosophy of the party in power in Ottawa and that of my party.

The equality being directed by this government is a collective equality *not* of opportunity but of the results of the output of the various producers — the small businessman, the farmer, the worker, the scientist — all important contributors to our society. The party that I represent believes in the paramountcy of individual rights of equal *opportunity*, with compassion and help for those not privileged to participate in such opportunity.

There is an important role for government. But it is a fatal fault of government to neglect its own responsibilities while trying to expand into areas in which it is not needed, it is not wanted, it is not competent and in which it can do great harm.

We want a government that fills the role of governing, not of running our private community its way.

The thanks of the club were expressed to Mr. Wilson by Douglas L. Derry, Third Vice-President of The Empire Club of Canada.

JANUARY 14, 1982

The Canadian Dream — We Must Wake Up to Enjoy It

AN ADDRESS BY A. Jean de Grandpré,
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER,
BELL CANADA

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: On November 1st, 1917 a remarkable and world-renowned Canadian spoke to an Empire Club audience. Here is part of what he had to say:

> When I come to look back upon the history of the telephone, it seems almost like a dream that I was connected with it at all, so long is it since I have had anything to do with telephones — and I do not have a telephone in my own house within reach of my ears.

The last remark, it is reported, brought loud applause, for the speaker was none other than the inventor of the telephone, Dr. Alexander Graham Bell.

The benefits of the birth of one of the greatest inventions in history have put the modern world under lasting obligation to Alexander Graham Bell's inventive genius. Today our society has come to regard phoning as an act almost as natural as breathing and the telephone is perhaps the most pervasive business tool around. As computer technology and information processing ability combine with telecommunications innovations the life style of future generations will undoubtedly undergo tremendous change.

One of the world's leaders in these new developments is the Bell group of companies which includes Bell Canada, Bell Northern Research — its research facility — and Northern Telecom — its manufacturing subsidiary. This remarkably successful group of companies employs some 90,000 people in twenty countries around the world with 74,500 of them in Canada. Most important of all, this corporate giant is a genuine home-brew. Ninety-eight per cent of its 252,000 shareholders are Canadian and no Canadian company has as many registered individual shareholders.

Today The Empire Club of Canada is honoured to welcome as its guest speaker Mr. A. Jean de Grandpré, Bell Canada's Chairman and Chief Executive Officer, and Chairman of the Board of Northern Telecom. A native of Montreal, Mr. de Grandpré graduated from McGill University as gold medallist with the degree of Bachelor of Civil Law. After serving as counsel to Bell Canada, representing the company before the regulatory authorities in Ottawa, he joined the company as its general counsel in 1966. Since that time he has held various senior executive positions, becoming the Chairman in 1976.

Running a telecommunications empire with assets of more than ten billion dollars and a total annual revenue of over six billion dollars provide Mr. de Grandpré with excellent and indisputable credentials with which to review the economic potential and constraints of the Canadian marketplace and the incentives needed to enable Canada to achieve its full potential.

Mr. de Grandpré holds directorships in a number of Canadian and international corporations, and his contribution to the business world and society as a whole has been recognized by several universities which have honoured him with doctorates. He is also active in a number of professional, educational and community organizations.

Ladies and gentlemen, please join me in extending a warm welcome to the Chairman of Bell Canada, Mr. A. Jean de Grandpré, whose topic of today's address is "The Canadian Dream — We must Wake Up to Enjoy It."

MR. DE GRANDPRÉ:

Mr. Chairman, ladies and gentlemen: I consider it a very great honour to have been invited to address your luncheon meeting.

If your chairman wanted to start the new season with out-of-town speakers, I am afraid that he is in for a disappointment. With two married daughters working and living in your very fine city, with an apartment here where I spend as much time as I do in Montreal, and with 28,000 employees in the Province of Ontario, in no way do I consider myself to be a stranger or visitor in your parts. In fact, the warmth and cordiality of your hospitality make me feel very much at home.

One is always tempted, when invited to make a speech at the very beginning of a new year, to develop some kind of a theme around the idea of "New Year's Resolutions." Recognizing, however, the truth of the old adage that the road to hell is paved with good intentions, and with two weeks of the year having slipped by us already, allowing many of those resolutions to have succumbed to that unfortunate category already, I thought it might be wiser to resist that temptation.

In recognition, however, of the fact that many of you have no doubt resolved to take shorter lunch hours and bend yourselves with increased vigour over the wheels of industry, I will endeavour to be reason-

A. Jean de Grandpré,
Chairman and Chief Executive Officer,
Bell Canada

ably brief in my observations about the state of our economy, and in tabling some of my thoughts on the priorities we should pursue in the year ahead.

To create a framework in which to develop these ideas, I thought it might be useful, since we are all business people, to take a very broad and perhaps superficial look at the kind of balance sheet with which we as a nation are entering 1982, so that we can apply some appropriate degree of perspective, both to the opportunities with which we are faced, and the constraints which we find imposed upon us. In so doing, I am reminded of an anecdote I read recently about a mountain climber who was enjoying a spectacular view from the edge of the cliff when he lost his footing and began tumbling towards a certain death. Clawing desperately at the mountainside, his hands found a root, and he managed to break his fall. He barely hung on, terrified, from his precarious position.

"Can somebody up there help me?" he cried out.

Silence.

After a short time, his grip weakened and the root began to give way. Suddenly, he heard a powerful voice from above.

"Do you believe?" asked the voice.

"Yes! Yes!" the climber responded.

"If you really believe," the voice continued, "then let go."

The desperate man pondered his fate for a little while. Finally, he asked in a timid voice.

"Is anybody else up there?"

Well, I am not quite sure that our pro forma balance sheet should engender quite such desperate thoughts in our minds, but I think that few people would question the observation that we are going through a somewhat difficult period in our economic history, and I suspect that many of us have been tempted from time to time to cast our thoughts upwards in the hope that relief of some kind may be forthcoming.

Difficult times call for stout hearts and resolute leadership, and I suspect that the coming year will demand both from all sectors of our economy.

It always does great things for the morale to consider the good news first, so let's take a look at the assets side of our national balance sheet and consider what we, as a country, have going for us. I must confess that I find it a little difficult to know where to start when counting the blessings we enjoy in this great land of ours. We have been endowed with so many riches, and with such great advantages compared with so many other parts of this world, to such an extent that the splendour of them tends to blind us sometimes, I fear.

Amongst these blessings our wealth of natural resources is perhaps the most obvious, though we should be equally thankful for the relative freedom from oppression with which our democratic institutions endow us, and for the rich cultural heritage we enjoy as a result of the heterogeneous nature of the population of Canada. It is good for us to remember from time to time that a substantial proportion of the inhabitants of this land freely chose to make it their home in the not incorrect belief that our society offered them and their children greater opportunities for development and expression than were available from whence they came.

They came, of course, in search of the "Canadian Dream" of freedom, prosperity and opportunity for their families.

Whatever their shortcomings may be, we must also count as valuable assets the parliamentary system of government, a respected and independent judicial system, and a well developed and highly competent educational establishment to provide us with our human asset needs of the future.

I would also classify as a singular advantage our proximity to one of the world's greatest nations, and certainly the finest consumer-trading partner with whom to do business.

And over the years there have developed in this country some incredibly successful industries and businesses in which all Canadians can take great pride. We have without question one of the finest banking systems in the world; our agricultural, forest product and fisheries industries are of a world class; our transportation expertise is sought by industrialized and less developed countries; our mining and resource extractive industries bring considerable wealth and economic activity to the country; we can meet a substantial proportion of our own energy needs, which sets us apart from many other countries from a security standpoint; and it would be uncharacteristically modest of me to omit mention of our telecommunications manufacturing and operating industries, whose products and services are considered second to none in the world.

Yes, by almost any measure you may wish to choose, we have a favoured position with regard to the basic assets with which to work.

Although we are young in the development of our national history, we have in that short time managed to use this array of assets to create one of the highest standards of living and among the highest per capita income levels of any country in the world.

So much for the good news. Now, without getting ourselves into an exaggerated state of depression, let's take a realistic look at a few of our liabilities, which impose some of the constraints under which we must necessarily operate.

Let's take the most obvious of these for a start, and not dwell on them at any great length.

The geography, climate and demographics of this land, magnificent though they may be in many respects, certainly present national builders with a unique set of challenges.

We have ever been sparsely populated, giving us rather meagre domestic markets, and widely separated ones at that. The domestic market base for our industries wanting to perform in export markets is therefore somewhat limited, and this is so for virtually every category of goods and services we produce. All of these factors tend, however, to be rather naturally imposed liabilities and constraints. Presumably we and our forebears took these matters into consideration when we settled here to make our lives and fortunes, and did not rank them as insurmountable barriers, in view of the very considerable plethora of advantages we found on the assets side of our ledger. And frankly, I doubt whether we can do very much to improve the geography, climate or demographics of the land in the short term anyway.

Some of our other liabilities, and I would suggest to you the more important ones, are more of our own making. We certainly haven't time here today to go in any depth into all of the shortcomings of the state of our economy — I understand my invitation was restricted to luncheon and this ballroom is required for other purposes at dinner. Other, probably more qualified speakers in your program, will doubtless be analyzing for you the effects of our seventy-odd billion dollar accumulated net debt, and the annual cost of carrying it at today's interest rates, but it would be a bit of an omission to make no reference to it at all as a national liability!

Similarly, I think we must take sober note of our unemployment statistics and the coincidental acute shortage of skilled manpower in many categories of jobs, and conclude that we aren't doing very well in matching our training to the national needs. This is a particular concern in the high technology field and we, and I suspect other companies, are actively engaged with university and college groups across the country in an effort to encourage the establishment of curriculums and enrolments to meet the needs of industry.

But there are other matters of a global nature which are very much in our own hands to correct and to modify to our own advantage, if we can muster the will and the wisdom to tackle them. I want to indulge in a few comments on just three aspects of what I consider to be major contributors to our set of liabilities.

Observers of our political scene from overseas (let alone those of us who are closer at hand) must sometimes be mystified by the way we go about the process of governing ourselves in this country. In fact, we must be the most overgoverned country in the world — eleven senior governments for a population of only twenty-four million! This may be an inevitable consequence of both history and geography, but whether we are well served in the twentieth century by such a complex array of administrations and legislations must be open to considerable question.

It is frankly disturbing to see the amount of time, energy and money which we expend in long drawn-out battles and negotiations over who is entitled to what, who will pay for which public services, who has authority over which resources, where regulatory responsibility should lie and how tax revenues should be shared. And while we have for several years been so frantically engaged and totally absorbed by these frustrations, the economy has been going straight to hell in a hand basket — and nobody seems to be very concerned about it, if indeed the phenomenon is noticed at all!

Constitutional reorganization is undoubtedly a required activity at this stage in our national development, and it is probably a necessary precursor to the subsequent rearrangement of jurisdictional powers and responsibilities, but I fear that our political leaders have spent an inordinate amount of time bringing these matters to their present stage, when we should have been putting at least an equal amount of our intellectual resources into planning and introducing measures which would be reflected in increased economic well-being for the years ahead.

A simplistic observation, perhaps, but one has to be grateful for the laws of momentum and inertia that seem to guarantee a continuum of some level of economic activity despite our gross neglect of the environment for its health and survival.

Another of our current liabilities must be our propensity for engaging in destructive attacks on anything which appears to be successful. The business community, unfortunately, makes an attractive target for attacks of this kind, and I have to think of the total collective expense that has been involved in massive assaults on some of our most successful institutions and enterprises. There simply has to be a better way to run our affairs than that which requires multi-year hearings by government commissions investigating the value, structure and procedures of industries such as telecommunications, petroleum, steel and banking. Though I suspect it might sound a bit heretic for a member of the legal profession to be reported in this vein, if just half of that money, talent and energy was diverted into productive investment the rewards could be quite revealing.

The third substantial liability to which I want to refer briefly is that of inflation. Not being an economist, I will approach it from what I believe to be a root cause rather than the effect, namely "inflated expectations." Perhaps it is a result of our wealth of assets; it may be the time in history, where increasing numbers of our population have no memories of the great depression or first-hand experience of the ravages of war. It is certainly a combination of factors, but for whatever reasons, our current society is caught in the grip of what I believe to be quite unrealistic expectations. During the period of economic boom of a decade or so ago, these already mushrooming ideas about the ability of our system to provide generously for all the needs of society and individuals, were further fueled by the relative plenty with which we were surrounded.

It was the euphoric period when it was popular to believe that all the needs, fancies or desires of the public could be met on what people were led to believe was a "no cost" basis. You remember the political slogans of the day: "Free Education For All," "Free Hospital Care," "Free Indexed Pensions," "Free Medical Services." Everything was free. We were like a bunch of drunken sailors on a buying spree. We were worse. The sailors were burning hard-earned money: we were buying on credit. Now the bills are coming in, and the pill is very bitter. The population (be they individuals or provincial governments) deluded for so long by the dream-merchants, now has difficulty accepting reductions in services which were perceived to be free.

The harsh realities of the new economic order brought about by oil and other energy pricing, the subsequent adjustments, inflation and rising interest rates changed everything, as we all know only too well. But the expectations of society didn't change. They remained at their already exaggerated level, and our collective refusal to acknowledge the inevitable requirement to draw back from the edge of that cliff is in large measure responsible for the continuing intolerable levels of inflation, which, if unchecked, will drag us into considerable grief and anguish. We simply mustn't allow it to happen.

What should we do about it? A review of some of the more compelling aspects of our national balance sheet should logically suggest at least some directions for our collective action.

The problems are complex and are the consequences of a number of factors, some of which were created on a world scale, others bear a made-in-Canada label with or without foreign contribution.

I regret to say — and it would be folly to think otherwise — that there are no ready-made solutions. We will not cure in one or two years problems which have grown over the last fifteen or twenty years. In this context I agree wholeheartedly with the Prime Minister's New Year's message, when he spoke of our forefathers as ". . . people just like you and me. They walked the same ground as we do, were warmed by the same sun, experienced the same climate and admired as we do the compelling beauty of this land.

Yet they triumphed over adversity, not easily, but constantly. Shall we do less, we who have much more?"

Needless to say, therefore, that my next remarks should not be taken as solutions to the problems, but rather as resolutions which should help Canada in 1982.

First, there should be a true and meaningful resolve to concentrate our efforts on bread and butter issues. The bankrupts, the unemployed, the retired and the poor are not particularly interested in additional discussions on the Bill of Rights or the Amending Formula. The need for stimulation of the economy at the productive end of the cycle has seldom been more evident than it is today. I believe that the American and other world markets (including our own) will start to pull out of the current slump towards the end of 1982, and there are signs that the Reagan policies may create a rapid upsurge of savings and investment activity in the United States at that time. I consider it to be imperative that we get our economic house in the best possible shape by then, so that Canada and Canadians will be able to benefit to the maximum from the opportunities which will follow in the wake of these and the related world trade events.

Second, we should re-establish the basic principle that retroactive legislation should not be resorted to unless there are extraordinary circumstances. Fiscal and business decisions cannot be taken in uncertain environments. Legal or lawful decisions cannot be made illegal or unlawful by legislative action without damaging the public's confidence in the stability of the investment climate. Incentives, voluntarily created by one Minister of Finance to develop or support a particular sector of industry, should not be called loopholes by his successors. They can be removed, if no longer required, but perfectly legitimate past decisions should not be rendered ineffective under the cloak of equity, or any other guise.

Third, in a country like ours, with wide variations in the cost of housing, and experiencing difficulty in matching jobs and labour talent and resources, it appears basically sound that, for the good of the whole, people should be encouraged more to find a job. Equally important, in a complex society, the development of managerial talent very often requires that promising managers be transferred in order to expose them to new challenges or different environments. Providing housing assistance to these ends should not be called a loophole, but should be a cornerstone of a well thought-through industrial strategy. After all, didn't we spend eighteen months discussing a Bill of Rights that guarantees specifically the right of mobility of the Canadian labour force?

Fourth, we should have a positive attitude towards our Canadianization policies.

I am convinced that there is strong support at home and abroad for our desire to hold a greater share of our natural resources and of our productive facilities. But to achieve these goals, one does not need to be anti-American or anti-foreign investment. One has to be pro-Canadian investors.

Just to give you an example that is very close to home. In 1930, foreign investors held thirty-six per cent of Bell shares. By 1950, that percentage was down to twelve per cent. Today, ninety-eight per cent of our shareholders — common and preferred — are resident in Canada. We have simply not made rights available to U.S. residents whenever we had rights issues. And we maintained a high degree of credibility and goodwill on all international markets, notwithstanding the very aggressive but positive thrust to Canadianize Bell. There are obviously other methods. For instance, how about giving an annual ten or fifteen per cent capital gains tax credit on all Canadian investments? It would favour Canadianization and include long-term investments in Canadian projects.

I must say that the non-deductibility of all or a portion of the interest charges on investments and the removal of the roll-over provision on share exchanges are running counter to the objective of Canadianizing our industries. Without the deductibility of interest charges, Dome Canada could not have been launched successfully and the Hudson's Bay deal could not have taken place without the roll-over provision, as evidenced by the actions taken by the officials of the Department of Finance and Revenue Canada in the days that followed the budget. Then, if it was a good measure for Canada on November 12th, why is it suddenly bad on November 13th?

Fifth, recently, our productivity improvements have left a lot to be desired. In order to make our manufacturing sector more productive, we should give more active tax support to research and development and we should not reduce capital cost allowances.

My colleagues and I have delivered so many speeches and given so many interviews and statements on this subject that it would be improper for me to burden you again about the issue. Let me simply reiterate that if we are not careful, we shall de-industrialize this country in the next decade.

Sixth, we should also address the need for Canadian companies and their employees to be put in a fully competitive tax position when competing for work overseas. As some of you may know, my own companies are continually engaged nowadays in seeking and executing very major contracts in a large number of countries — contracts and opportunities worth billions of dollars to our balance of payments. But frankly, we are at a substantial disadvantage in the fierce international competition for this work under the present Canadian tax regime. This matter is under active consideration by the government now, and I only hope it is resolved in an appropriate context and quickly.

Seventh, we should not forget, during the new debate on Canadian competition policy, that Canada by any standard is a small industrial nation. Such large industrial companies as we have are pygmies compared to the large international corporations. Abitibi-Price is one fifth the size of International Paper. Northern Telecom is one sixth as big as Western Electric. Stelco is only ten to twenty per cent of Nippon Steel or U.S. Steel. And the process of rationalization is accelerating around the world.

On November 2nd last, *The Globe and Mail* reported that two privately-held companies, Kruppstahl and Esteel-Hoesch, were discussing with the German state-owned Salzgitter Ag the merger of the three enterprises to create a steel giant which would be more competitive on world markets.

On December 7, 1981, Telecom Information International said that Kabelmetal had just signed a preliminary agreement that it will transfer its cabling production to the control of Câbles de Lyon. This agreement which will come into effect this year will be one of the first operations geared towards industrial integration between Common Market countries. The result will be the creation, according to the news release, of a cable manufacturing group which will take second place in the world market, coming after the Italian Pirelli.

So we should beware, while our competition in world markets is moving in that direction, of a tendency we have displayed in this country to scorn or distrust (and thus discourage) the creation of world-scale business and industrial enterprises.

Finally, we businessmen must address ourselves to the means to encourage the younger generations of Canadians to understand and to participate in the wealth-producing investment activities of the country. The unrealistic expectation syndrome to which I referred earlier is partly based on pure ignorance of the modus operandi of the capitalist system of economics. If the younger generations of Canadians are effectively discouraged from playing a role as investors, or don't do so because they have not been taught how or why they should, the consequences could be very damaging and long-lasting. Our lack of attention to this kind of basic economic education could well lead us further and further down the road of increasing governmental intervention and state ownership of the productive machinery of the nation, with results which I fear we have seen only too vividly in other socialist economies. Far better that we should develop the means which already exist in many companies for easy access to share ownership by employees with their attendant interest in, and rewards flowing from the overall well-being of the enterprises in which they work.

You will, I suspect, have noticed that, in reviewing the few areas on which I have had time to touch today, I have tended to use the collective term "we" in the description of both problems and suggested remedies. We, meaning the whole business community, including industry, government, investors, academia — all of us. When Stan Roberts, of the Canadian Chamber of Commerce, addressed you last fall he emphasized the importance of the interrelationships between all of these sectors, and indeed their interdependence in today's complex world, and I fully endorse his observations in that regard. The problems this country faces are our joint responsibility, and successful solutions to them will come only from our collective best efforts. Anyone who thinks government is a simple task in the current environment should try it, and experience the conflicting pressures and demands on the political front line. And meeting payrolls and the legitimate expectations of shareholders is no picnic either! So, now more than ever, I believe there is a mutual responsibility for the sectors involved to consult and communicate effectively and constructively in the key areas of our mutual concern and expertise. My basic plea would be that the economic issues be given at least as much priority as the political ones in 1982.

These are, as I suggested at the outset, difficult and challenging times for government and industrial leaders alike, but I don't think we should be daunted by them.

I recall the account of Sir Winston Churchill's meeting with his Cabinet and Chiefs of Staff at a very low point in World War II. The blitz was on; cities and great industries lay in ruins; France had fallen; there was bad trouble in the Atlantic and Mediterranean theatres, and even worse in the desert in Africa. As the briefing concluded, the assembled ministers and generals were understandably glum, until Sir Winston stood up and, rubbing his hands together, said, "Frankly, gentlemen, I find it inspiring!"

The Canadian Dream, which enticed many of our people to this land, is as attainable now as it ever was, but I think it's the kind of dream we can only enjoy when we are wide awake, alert to the opportunities and working together at our problems. Since many of the liability aspects of our national balance sheet are largely of our own making, and certainly within our power to put right (over a period of time), I'd like to leave you with the thought that 1982 would be a good year for us all to feel inspired by the nature of the challenges facing us, and get all of our potential assets working together to the maximum long term benefit of all Canadians.

The thanks of the club were expressed to Mr. de Grandpré by Ian D.C. McPhail, a Director of The Empire Club of Canada.

JANUARY 21, 1982

The Budget — Rule of Law vs. Rule of Man

AN ADDRESS BY John F. Bulloch,
PRESIDENT,
CANADIAN FEDERATION OF
INDEPENDENT BUSINESS

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: Mr. John Bulloch, our esteemed guest speaker today, has been described as a visionary, a reactionary, an evangelist, a crusader and a zealot. When you look at his activities and his accomplishments over the past twenty years all of these descriptions seem to fit.

President of the Canadian Federation of Independent Business since its formation in 1971, he has virtually single-handedly built the 64,000 member federation into the loudest, the most visible and the most political action group in Canada.

Incensed by the tax proposals contained in Edgar Benson's White Paper on Taxation in 1969, John Bulloch formed the idea for a citizen's group to oppose what he considered blatantly unfair tax reforms. The next day he published a blistering letter to Mr. Benson in the form of one of his father's clothing store ads. He received such overwhelming support for his views that he left his teaching post at Ryerson to form the Canadian Council for Fair Taxation. The Council gained national stature and he received much of the credit for mobilizing opposition to the White

Paper proposals. Eventually, the government completely revised its taxation position.

During the campaign against the proposed changes, John Bulloch realized that no national business organization or political party was responding to the special problems and priorities of owner-managed enterprises. This led to the formation of the Canadian Federation of Independent Business to be the permanent voice of small and medium-sized independent businessmen. The creation of a Minister of State responsible for small business is one of the Federation's most significant successes.

John Bulloch has developed an organization that is democratic and responsive to membership sentiments. He also exerts considerable personal influence based on his own background as an independent businessman. He was a salesman, a company manager and a proprietor of his own business. He is also a director and vice president of a family clothing business. In addition to his business experience he holds a Master's degree from the University of Toronto and last year he was honoured with a Ryerson Fellowship for his contribution to small business in Canada.

Ladies and gentlemen, please join me in extending a warm welcome to the President of the Canadian Federation of Independent Business, Mr. John F. Bulloch, whose topic of today's address is "The Budget — Rule of Law versus Rule of Man."

MR. BULLOCH:

Ladies and gentlemen: I am certain it will come as no surprise to you that I view the recent federal budget as the most critical economic issue facing this country today. In my opinion, it is misguided, incompetent, arbitrary, insular, dogmatic, hasty and tyrannical. As you can see, I am upset.

— It is misguided in that it strikes at investment when investment is our main weapon in the fight against inflation.

- It is incompetent in that its drafters did not adequately understand the relationship between business practice and the tax system.
- It is arbitrary in that it gives insufficient time for Canadians to react.
- It is insular because budget secrecy and official inclination demanded it.
- It is dogmatic in that it rests on theoretical principles, not actual practices.
- It is hasty although there is no need for haste.
- It is tyrannical in that it deliberately attempts to mislead.

But that is not my theme for today. Instead, I would like to talk with you not about *what* has happened but about *why* it has happened. I would like to explore with you how it is we have reached such an impasse; why we have government which is neither by, of, nor for the people; or in more Canadian terminology, no peace, order or good government.

Nothing I will say today should be construed as an assault upon specific individuals or political parties. My comments should be seen in the context of the democratic process having been wrestled away from our elected politicians.

I have said that the budget is misguided because it attacks the investment process.

Why does it do that? Why, when investment promises to be the only source of strength in an otherwise stagnant economy, would officials choose to extract about three billion dollars from changes in capital cost allowances in the next four years?

Are they part of some diabolical socialist plot? Hardly.

Do they believe investment will take place in equal magnitude without it? Not likely.

Do they feel corporations can attract funds from our vibrant capital markets? If so, they haven't been watching the market lately.

No, it must be the case that officials feel better positioned to make the right investment decisions for the Canadian economy than the market does, and they need money to implement them.

For example, the Economic Council of Canada says that the federal finance department, in its November five-year projection, is assuming that federal spending in capital assistance and subsidies will rise on average by twenty-two to twenty-seven per cent a year. It is the Council's opinion that these two categories should only rise about twelve to fourteen per cent a year — a difference of ten billion dollars between 1983 and 1985.

These officials are frustrated men. They see the monetarist experiments in Britain and Chile and find them wanting. They don't really believe Mitterand will succeed in his new economic course. Their own macro-economic Keynesianism — relying as it does on propping up consumer demand — hasn't worked. Things continue to fall apart.

Well, if they believe that both Keynesianism and Friedmanism — both relying on the private market — are dead, to what do they turn? To government!

Government's share of the GNP must go up in order to replace activities formerly undertaken in the private sector. In their minds, they have no choice. The science of economics, they believe, has let them down badly.

I have said the budget is a product of incompetence. Our tax reformers were not competent to reform our tax system. Peculiarities of the department's hiring practices aside, the fact is we are all incompetent when it comes to tax reform. No small group of people — ours or theirs — could be expected to foresee the intricacies of the multiple interactions among ten or twelve million taxpayers and six to seven hundred thousand businessmen who were touched by the budget's more than one hundred and sixty proposed changes. This budget was, to that extent, a product of immense technocratic arrogance.

We live in an extremely complex industrial society, the warp and woof of which is, in large measure, formed by our tax system. The greater the tax burden, and the more complex the tax system, the more they affect the decision-making of firms and individuals.

That should tell us several things. It should tell us that tax reform should always be in small pieces, not large chunks. It should also tell us that we should, over time, reduce taxes to reduce their interaction with economic decision-making. And it should tell us, above all, that the process of tax reform must embrace many more than a few actors.

There is another message we should be picking up: namely, the need for some clearly defined goals.

Imagine if you will, this budget being brought down in Japan. Japanese theoreticians and technocrats read the same economic literature as their Canadian counterparts. Some, no doubt, share the same outlook. But in Japan, this budget would be such a clear and obvious violation of consensus around social and economic goals that it would never be proposed, let alone implemented.

The technocrats can only rule in the absence of goals. There is an urgent necessity for us to establish a national sense of direction.

I have said that the budget is arbitrary. And, in a sense, all budgets must be: someone has to make the final decision. But this budget, encompassing as it did more tax reform than economic policy, was particularly arbitrary. This has only increased tensions and adds to the lack of trust between our economic agents.

What a mess we find ourselves in. There is no trust between Ottawa and the provinces. There is no trust between business and Ottawa. And there is no trust between labour and Ottawa.

A government which viewed these actors as its partners in economic development would have offered genuine proposals and engaged in genuine consultation over them. But officials, convinced of the "rightness" of their cause, cannot afford consultation. They must act swiftly. Democracy is too slow and might divert, sidetrack or derail the process.

For our part, we too mistrust. We mistrust the power in the hands of theoreticians. We prefer power in the hands of politicians who, by virtue of being accountable to ordinary Canadians, cannot as easily trample our rights and customs.

The tradition of budget secrecy ensured that the product would be that of a small group. However, we have always had to live with budget secrecy and it has never produced such an insular product. The insularity of this budget is unprecedented. It is a function of the complexity of tax reform. It is one thing to advise Cabinet that thirty-two rich individuals do not pay enough tax and to tell ministers that the budget intends to change that. It is another thing to explain to Cabinet the interaction of income averaging annuity contracts, the capital gains reserve provisions, interest deductibility and general averaging on individuals of moderate means.

These issues are mystifying even to accountants and tax lawyers. Our own Tax Advisory Council, for example, gets bogged down in the permutations and combinations and has great difficulty crystalizing and then conveying its concern. You need computers talking to each other to account for, and predict the outcome of, multiple changes. When computers are necessary, the technocrat rules.

John F. Bulloch, President,
Canadian Federation of Independent Business

That brings me to the federal technocrats, our federal officials.

I have said that the budget is dogmatic; tax reform was inspired by theory, not by practice. As tax lawyer Arthur Drache has shown, none of the key officials in the Department of Finance has had significant experience outside of government or academia.

For example, in theory, you could cut capital cost allowances, reducing internally generated earnings, and corporations will simply finance their investments by further borrowing. In practice, only two or three thousand Canadian firms have access to those alternatives, and even then interest rates are so high and capital markets are in such disarray as to tip the scale against the investment decision.

In theory, you could levy taxes on accrued life insurance income and put up with the reaction from the insurance industry. Separately, you could eliminate deferred profit-sharing plans for entrepreneurs. Again, separately, you could eliminate the tax-free status of employee loans and only invoke the anger of a few people.

We forget, however, that the businessman is also a citizen. He too has a life insurance policy. The effect of all the multiple changes, although the dollar impact may be relatively small, is discouragement. Society is not made up of a series of watertight compartments. Society and the economy are organic and interacting. What tax reform does to my brother affects me. What it does to my employees affects me as a businessman. A one hundred dollar post-budget difference in my bottom line is *not* the only thing on which I base my decisions. My decisions are also based upon what I *believe* might happen to my customers. And they are also based upon what I can expect from government tomorrow.

Today businessmen haven't the faintest idea what to expect tomorrow. The only certainty is that those decisions which are made in bureaucratic isolation will bear little resemblance to the reality of the marketplace. This distance between the textbook and the real world is immense and ever-widening. The political system which grants the technocrat freedom to exploit that distance is a system in great peril.

I have argued that the budget is tyrannical and that, I concede, is strong language. I believe, however, that in an important way it is tyrannical.

The first principle of tyranny is ignorance. The weapons of tyranny are propaganda and the half-truth. Tax reform in a complex society lends itself perfectly to tyranny. The citizen must now be allowed to know the truth.

As a case in point, in a document released on December 18, finance officials produced a series of examples designed to show that the proposed system of forward-averaging was nearly as good as the pre-budget availability of income-averaging annuity contracts.

The examples used a poor farmer and his dependent wife. They were *not* typical of farmers as a whole or of the small business community which, the example alleged, would be similarly and beneficially affected.

We know that this claim for the new system is not, in the main, true. It is somewhat true in a few individual circumstances. But it hides more than it reveals. How do we prove it?

We do not have the resources of the tax department because tax data is confidential to the private sector. We do not have fifty or sixty mathematicians to work out the fifty or sixty typical examples. We do not have the computers to perform multiple regression analyses or ten or twenty different cases with ten or twenty differing assumptions about the lifetime income and assets structure of fifty or sixty individuals. Furthermore, every single situation among all of Canadian taxpayers is unique. Fifty examples are inadequate to express that uniqueness. So, I ask you, how would you fight it?

Our only weapon is to sow the seeds of doubt. It is to require of our politicians that they slow the process down; that they get their own independent expertise; that they rely neither upon us *nor* upon the technocrats.

Where, fundamentally, does this tyranny, this arbitrariness, this dogmatism come from? It springs from one source and an old one. That source is human arrogance.

We have developed a society which is complex. We have educated people narrowly. We have told some of our citizens that, because they are economists, they should know how to run an economy. Collectively, we have led our citizens to believe that society is like a machine and any machine, properly understood, can be run.

But society is no more a machine than is the human mind. It can be pushed and prodded, but if pushed and prodded often enough it breaks down. Furthermore, no human mind, no matter how well technically trained, can encompass the world. We, and by we I do not just mean business, are the victims of the myopia of specialization.

Specialization — of education, of background, of training — created a group of powerful technicians in Ottawa who have the *power* to impose their sharply limited vision upon us all. Part way through this current crisis — and I use that word advisedly — we were invited to meet with the very officials who produced this anathema. We declined the invitation. Some were shocked, others were baffled. Did we not want an audience to explain our concerns to the king?

We knew, from long years of experience, that it would be pointless to meet with these officials. Why? Because, to a very real extent, we speak a different language, we breathe different air. In short, we cannot communicate. We stare at each other in total incomprehension. Let me give you the flavour of our differences. Imagine you are overhearing our conversation.

The Federation: "Black is black."

The Department: "Black only seems to be black. According to paragraph three, subsection four, line five, black is deemed to be purple."

The Federation: "But everyone knows black is black and for one hundred years we've called black, black."

The Department: "You have been mistaken."

So you part no further ahead. We, the Federation, choose instead to meet with politicians: people who may wish to change black to purple but who understand more clearly how jarring it is and how long it will take.

Let me tell you, ladies and gentlemen, dealing with this process is very radicalizing. The frustration can be infuriating. To feel, when you are talking to Ottawa, that you are talking to Martians makes you want to drive the aliens into the sea — or at least into the Ottawa River.

It comes as no surprise to me that many private citizens are driven to extreme political ideologies of the right or the left. If you cannot communicate, you cannot agree and society becomes a collection of armed camps. That's what Canada looks like today. Armed camps in the provinces fighting Ottawa. Armed camps in business fighting Ottawa. Unions fighting Ottawa. The whole country has been mobilized to fight Ottawa. Can the whole country be wrong?

There is a psychological term for official Ottawa's current behaviour as a government. It's called a napoleonic complex.

A person with a napoleonic complex is not necessarily dangerous. If he has no power, we institutionalize him. But if he can wield power he is very dangerous; dangerous because he is convinced of his mission and disdains the advice of others.

You cannot reason with Napoleon. You can only fight him.

The grave danger to Canadian society, now and in the foreseeable future, is the overwhelming concentration of power in Ottawa in a few hands and its unilateral exercise.

The federal government's presence, steered by myopic technocrats, is too dominant. Countervailing forces are too enfeebled. The more Ottawa grows — and it is most assuredly growing in the wake of this budget — the more enfeebled its opposition. The more power it has available to it, the more that power will be exercised. As you enfeeble the private sector, the more reason you have to "take up the slack." The more you take up the slack, the more things fall apart. The more things fall apart, the more you must try to put them together again.

This means, willy-nilly, a departure more and more from the rule of law to a system of technocratic discretion. If you believe not only that you can and should control everything, but also that you must — since you have extracted so much of the resources normally available for adaptation, hence undermining the economy's basis for self control or self correction — then law alone won't suffice.

You cannot define in law all the things you want to "accomplish." You cannot foresee all circumstances. So you provide yourself with a catch-all. The catch-all is "at the Minister's discretion" or "the Minister may make regulations" or "subject to the approval of the Minister."

Of course, all of these are euphemisms only for the rule of man by man — pitting one judgement with power against another judgement without power. There is no court of appeal. Most importantly, opposition is silenced.

Democracy is at stake when any institution — private or public — is too powerful. Democracy is most especially at stake when the state with its awesome power grows too large, too centralized, too dominated by technocrats. Rule by discretion as opposed to rule of law makes the citizen fearful of the governor.

Which corporate leader, newly dependent upon discretionary grants or subsidies, will be heard criticizing government policies?

Opposition is silenced and the only view to be heard in the land is "the acceptable view."

Ladies and gentlemen, in company with farmers, professionals, the provinces and private citizens, we intend to fight this design. We in the small business sector will continue to fight for an economic system of maximum flexibility governed by the rule of law enshrined in tax legislation and governable by the courts. We will continue to fight for a more decentralized pluralistic society with many competing power structures. We will attempt to break down the structures of specialization which poison communication and we will fight for the elevation of politicians over technocrats.

In particular and specifically, you will hear us call for a break-up of the centralizing influence of the Prime Minister's Office. You will hear us advocate the dismissal of key federal officials. You will hear, over and over again, a demand which we have made from the beginning, that tax reform must be slowed, that a White Paper should be produced to open up dialogue, that the guillotine of legislation be lifted and that citizens be given a chance to be heard.

We will call for a forum in which public servants can be instructed by the public to run their computers based on the public's assumptions and goals, rather than their own assumptions and goals. We will do battle along with others for the hearts and minds of Canadians; we have more faith in their intelligence, honesty and common sense than do the technocrats. We also have a greater appreciation of their breaking point. We will attempt to persuade Ottawa that the word "economy" is just an abstraction. When left-wing and right-wing economists argue over whether the deficit should be slightly higher or lower, they are both irrelevant.

The right-wing economists applaud the lowering of the deficit because it will make room for investment. The left-wingers feel the government should spend more. Both of them missed tax reform. The fact is, whether the deficit is marginally higher or lower is neither here nor there. Right now people are not going to invest no matter how much theoretical room government has left by lowering the deficit. Proposed tax changes cast a pall of suspicion, distrust, anxiety, and anger over the whole abstraction called the economy.

The economy is people. People such as our members, one of whom recently wrote to me:

> Because of this budget I have cancelled an order for two more trucks which would have created work for four more men and fed and clothed four more families. . . . I do not intend to ever make an attempt to increase my operation. If I can survive, I will stay just as I am.

Two trucks, four families, demoralization, that is what the abstraction called an economy is all about. People live on hope. In its absence, people — and therefore their society and their economy — falter and then decline.

We must be careful with hope. We must guard it and nurture it.

Although government can take away our money, our incentive, our self assurance, and even our trust, we must never allow it to strip us of our hope.

It is through hope that the motivation is fueled to recover that which is lost, to protect that which is vital, to correct that which is flawed. It is hope which can make the impossible dream a reality. Hope is our defence against despair. It gives us the patience to be reasonable, as well as the courage to persevere against those persons and policies which are unreasonable.

But today my hope is tempered with sorrow. I would much prefer to be standing before you in praise of a positive budget, than at odds with a damaging one. I find no cheer in manning the barricades. There is no solace in seeing my country bleed. There is no turning away from the anguish of the unemployed and the bankrupt, the misery of the old and the sick.

My life work has not provided me with the emotional armour to view such casualties indifferently or philosophically. I am an engineer and teacher by training, not a soldier. I am an entrepreneur in spirit and in practice, not a revolutionary.

In closing, I leave you with these questions:

Must this government wait until the economy is rubble before it admits there are serious cracks in the walls of its budget?

Will the personal careers of certain politicians and technocrats be given a higher priority than the nation they were elected and appointed to serve?

Will the voice of the people be heard, or will it be ignored?

Will the rule of law be replaced by the rule of man?

For the sake of this great country and its great potential, I pray not. Maybe, just maybe, this time, Ottawa has finally gone too far and we, the Canadian people, are going to push back.

The thanks of the club were expressed to Mr. Bulloch by Bredin Stapells, a Past President of The Empire Club of Canada and a Director of the Empire Club Foundation.

JANUARY 28, 1982

Rebuilding and Renewing: Ontario in the Eighties

AN ADDRESS BY Bob Rae, M.P.
MEMBER OF PARLIAMENT FOR
BROADVIEW-GREENWOOD

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: A recent study of Canadian legislatures shows that our politicians are considerably younger and much smarter than they were a few decades ago. Our guest speaker today is evidence of this new profile of Canada's elected officials.

Mr. Bob Rae, Member of Parliament for Broadview-Greenwood, is a 33-year-old politician who has already served in the House of Commons for over three years. The son of a diplomat, he received his early schooling in Ottawa, Washington and Geneva. He graduated from the University of Toronto with an honours degree in modern history and a law degree, and he was a Rhodes Scholar for Ontario at Oxford University, graduating with a Bachelor's degree in political philosophy.

Despite his young age, Bob Rae has garnered a wealth of experience through his community work before entering law school, his service as an assistant to the Canadian General Counsel of the United Steelworkers, and his deep involvement in labour relations and labour law.

Bob Rae was elected to the House of Commons in a by-election in 1978 and was re-elected in the 1979 and 1980 general elections. Currently the NDP finance critic, he has established a national profile as an extremely bright and articulate politician. When he entered the race for the Ontario NDP leadership he was immediately hailed as "the NDP's potential saviour in Ontario, possibly even the giant killer."

Ladies and gentlemen, it is my pleasure to welcome to The Empire Club of Canada Mr. Bob Rae, Member of Parliament for Broadview-Greenwood and a candidate for the New Democratic party leadership in Ontario, who will address us on the topic "Rebuilding and Renewing: Ontario in the Eighties."

MR. RAE:

Fellow New Democrats: I would like to thank you for inviting me today.

Your club was born in the heyday of the British Empire, and a tour through some speeches fifty years ago shows how much that Imperial connection meant to your members of that day.

Those speeches were, ironically, given in the years when a young Member of the Provincial Parliament named Mitch Hepburn led an alliance of forces that broke the Conservative party's long monopoly of political power at Queen's Park. The economic collapse of the British Empire had brought with it a major change in Ontario's political life. Dean Acheson once said in a speech at West Point: "Great Britain has lost an Empire, and has not yet found a role."

Today we are in the midst of changes in power — economic, social, and political — on the world scale that are just as profound as those which faced us fifty years ago.

Ontario's role in Confederation did not change simply because the constitution has been on the political agenda for the last couple of years. Rather, the debate on the constitution revealed what has happened to the dynamics of federalism in recent years.

The constitutional debate, filled as it was with bitterness and division, was not a proud one for Ontarians. We saw a government here that sent its Attorney General out to argue against key portions of the Charter of Rights. We saw a government that refused to recognize the rights of an important minority — the Franco-Ontarians — because it feared a backlash from another minority, the small-minded and petty irrationalists who fear change simply because it is change.

We saw in the debate the extent to which that elusive intangible called power has shifted. No longer were Ottawa, Toronto and Quebec City the only players in the game. Edmonton, St. John's and Charlottetown could not be ignored, something the Supreme Court of Canada confirmed when it said, "Legal, yes; constitutional, no."

That Ontario gave up its veto over constitutional changes in the final stretch of negotiations was not so much a diplomatic concession as a belated recognition of Canadian reality. Ontario does not have a veto. It is one of the ten provincial voices.

Ontario has, in a sense, lost its empire. It has lost its economic primacy in just about everything but sheer size. In growth, job creation, employment and other indicators of economic well-being, Ontario has been surpassed by at least one, and usually many more, provinces.

I won't use reams of statistics that show that everyone else is shooting up past our ears while we stagnate, but I do stress that the shift in economic power has significant political implications as well. I also suggest that some serious thought must be given by all Ontarians, of all political stripes, to the causes of that decline, and to the direction the Conservatives have charted for us.

Under the Tories, Ontario is an aging dowager, pawning her silver teaspoons (something about which I am

Bob Rae, M.P.,
Member of
Parliament for
Broadview-Greenwood

particularly sensitive) to whitewash the walls while the foundation rots. It does not have to be that way. And it must not be that way.

Deindustrialization is in the vocabulary of defeat, yet it is a polite word for what is going on in the economy. With the real risk of permanent damage to the productive capacity of this province growing ever greater, three thousand jobs are being lost every working day. Layoffs have reached epidemic levels. Hundreds of thousands of workers have thrown up their hands and said "enough" after months of looking for jobs that simply are not there.

The economic cost of chronic unemployment is intolerable. But the human cost is tragic.

What happened? In political terms, the Tories have based their long reign on their perceived ability to manage the provincial economy. This managerial approach, superbly marketed by public funds in a barrage of government advertising, has convinced many people that political issues are really administrative issues, and who, after all, are the best managers?

But let's look at what really happened.

For years, our industrial strategy boiled down to two words — foreign investment. That eroded our economic and cultural independence, and placed Ontario at the mercy of decision-makers who don't know the difference between Oshawa and Brazil.

The Tories were in office during the boom years of the fifties and sixties, and during those successful decades they gained a reputation for skilful economic management. Those were the years of American superiority in the international economy, and we rode on their coattails. The economic strategy of the government amounted to taking credit for the good fortune generated south of the border.

Gradually, those fortunes waned, and with them Ontario's pace-setting growth. And the success of the Ontario Tories during an era of economic complacency left them entirely unable to cope with the problems of a different age.

Being the northern rim of the U.S. manufacturing heartland is no longer a guarantee of economic health.

We had operated on the comfortable assumption that our position as head office for most of the American branch plants in Canada assured us access to high technology. It is not true.

We assumed we were at the other end of a dependable pipeline of economic efficiency. Not true.

And we thought that being the site of half the nation's manufacturing and sixty per cent of its heavy industry was a passport to continued prosperity. And that is not true.

Four factors come to mind when we seek to explain why the truisms of the 1950s are no longer fact in the 1980s.

First, as the U.S. administration and the American states have fought to keep employment at home, this last decade has become one of acrimonious battles fought among North American jurisdictions to hold on to jobs and employment. Ontario has been the foremost Canadian victim of this war of non-tariff barriers.

Second, the industrial shift in the United States from the industrial north and midwest to the south and southwest has profound implications for our economy, because we have allowed the Golden Horseshoe to be intimately welded into a declining region.

Third, we have also experienced the energy price revolution in the last ten years. That revolution robbed Ontario of much of its ability to create new jobs for every dollar increase in the price of a barrel of oil.

Fourth, we are paying the price for the decline in the international competitiveness of the United States. That decline in industrial power has been reflected in increasing protectionism, which in many cases hits Canada first, and Ontario hardest.

Our future has been mortgaged, and like the profligate who borrows from Avco to pay HFC, the high cost of living off an unnatural prosperity has caught up with us.

Multinationals have moved steadily towards a virtual stripdown of their operations in Canada, supplying their branch operations with machinery, parts and components manufactured in their U.S. operations. Many Ontario manufacturing industries have been reduced to little more than warehouses, linked to sales and service operations.

The result is a dramatic increase in imports. Last year, Canada's manufacturing trade deficit was a staggering $21 billion. That is a deficit of nearly $1,000 for every man, woman and child in this country, and a per capita deficit that is by far the greatest for any industrialized nation.

The Conservative government has allowed this province to become a burden on Confederation, when it could be the productive centre of Confederation. The result is that Canada can no longer be expected to act automatically in ways that are coincident with the interests of Ontario.

Ontario has not yet found its role, for one fundamental reason. We are ruled by a government that has no vision of where we will be in twenty years, ten years or even five years. We are ruled by a government that has no solutions because it cannot, honestly, be given credit for our successes.

Today, it is no longer sufficient for Ontario to play the low-key administrative game of pretending that the essentially vital economic problems are all in Ottawa's lap. That approach has paid dividends for the Conservative party, but the citizens of Ontario are shouldering the economic consequences. Our economy needs reinvigoration, and we require the kind of creative government in this province that has not been seen since the creation of Ontario Hydro in 1905.

The solutions require a commitment to the principle of public control of our mixed economy, to government intervention in the market-place, to an invigorated Canadian small and medium business sector, to creative planning, and to a willingness to commit substantial amounts of money to a strategy that combines a human face with a sound economic base.

There are those among you who will cry, "Get the government off our backs and we will do the job!" I don't hear that from the auto industry or Massey Ferguson, from the shoe industry, or textiles, or petrochemicals, or many others, but it is still a familiar war cry.

Ontario's Treasurer has recently been quoted as saying that "what Ontario needs is a good dose of Reaganomics." That, sadly enough, is really the war cry of the dodo. The basic reality of our time is that neither people nor even most industries want the insecurity, the inequality, or the irrationality of old-fashioned capitalism. To harken back to it is to attempt to roll back the major social and economic achievements of the twentieth century.

Then there are those who cry, "Don't run Ontario down. Everything will be O.K. as soon as our traditional markets in the United States improve." To this I can only answer that there is a big difference between running down the neighbourhood and criticizing the landlord.

A combination of Milton Friedman and Tinker Bell won't put Ontario back to work.

The hard fact is that a disturbing number of our layoffs are not simply seasonal or even the result of the ups and downs of a cycle. They are structural, and unless we respond in a planned and direct way to these changes we shall be ignoring the very real needs of many Ontarians.

The question is not whether governments should intervene, but when and how, on whose terms, in whose interests, and for what purposes.

Let me give you two examples: Ontario's mining and non-renewable resource sector, and our car industry.

We export thousands of tons of increasingly scarce nickel, copper, uranium and other minerals in raw form from this province every year. Three hundred years ago the first Ontarians traded furs for beads. Today it's resources for radios, mining machinery, and computers.

Our resources are non-renewable. As their scarcity increases, so too does their value and potential value. The rents and profits from the sale of these resources are not going to the people of the province. Nor do we control their sale. With few exceptions, we do not upgrade, refine, or transform these resources in Ontario.

That is why our party puts so much emphasis on public ownership and control in the resource sector. The returns from increasing scarcity should no longer go to absentee landlords. They should go to the people of this province, and should then be channelled to give real economic choice and diversity to those hundreds of communities which have become dependent on single industries.

Instead of showing the courage and determination to make these essential moves, the Conservative government at Queen's Park gives us new adventures in cosmetics.

Take Suncor. Or as Henny Youngman might say, take Suncor, please. It must be hard to be an Ontario Tory these days. Bill Davis thought he'd latched on to a good thing with Suncor after reading how popular the Liberals' Canadianization was in the polls. But he is too much of a free-enterpriser at heart — even if you can't be an executive you can still have an executive jet — and he got cold feet at twenty-five per cent.

So instead of pulling off a shrewd popular takeover in the resource sector, the Conservatives pulled up short. Majority control remains in the parent's hands, the minority shareholders got trampled in the deal, and most of the Cabinet and all of the Legislature were less informed than Marc Lalonde and Peter Lougheed.

That is what you get when you send a Tory to do a socialist's job. Not a single new job for the province. Not another inch closer to greater economic diversity or resource control in the province.

Let me take another example: the automobile industry. We have been making cars in Ontario for nearly seventy years. We have too much invested — in financial, human and community terms — to allow the car industry to collapse, or to see that industry completely emasculated while we sit on the sidelines.

I was the guest of the European Common Market last fall, studying their car and steel industries. It was fascinating to find that for all the protestations of freer trade, France, Britain, Italy, and Germany had all done two things: established bilateral agreements with Japan to limit imports, and made a basic public commitment to remain involved in the making of cars through state investment, to ensure a continued national stake in the increasingly competitive world car industry.

We can do no less, taking into account the particular nature of the Canadian industry. We need to control imports, increase Canadian content, and launch a joint federal-provincial crown corporation to coordinate public investment in this key sector. Without these initiatives we are in danger of becoming passive bystanders to the erosion of a basic industry.

To return to Dean Acheson's remark, Ontario has not yet found a role. But there is a role waiting. It is not nostalgic to say Ontario can be strong again, and be a leader again, because it will be a different Ontario in a different Canada. It is a better-balanced Confederation today, with room for an Ontario whose manufacturing and resource industries make a positive contribution to the nation's life, and whose policies provide examples of enlightened leadership on social issues.

The New Democratic party's agenda for that future is different. It is not the product of an ad man's fetish; it does not consist of the politics of convenience written by Madison Avenue. It is a serious program ruled by our commitment to revitalize Ontario's manufacturing base, to make our resources work for the people of Ontario, and to manage the economy with sound management and compassion.

I want to close by reminding you that perhaps the most difficult and challenging problem we face as people is dealing with change. I always hear businessmen say: "Workers — and unions — are too resistant to change. They have to understand that no job or industry can last forever. As markets change, so too will technologies, and so too will jobs."

This approach is too simple, and ignores some basic, human problems. Workers are entitled, surely, to ask why they alone should pay the costs of change, to question an economic system which provides so little security. If layoffs were matched by exciting job creation and retraining, if they didn't mean loss of hope, or even sometimes loss of home and loss of family, then "change" and "insecurity" would not be synonymous.

That is why I am convinced that social democracy is essential to sound economic planning. Sharing burdens and benefits, taking responsibility not simply for ourselves, but for our fellow travellers on this planet and our children and grandchildren as well, giving all our citizens a stake in the future of this province, these are changes which, rather than dampen initiative, will give it the only home in which it can flourish.

Make no mistake about it. Our party has formed governments in British Columbia, Saskatchewan and Manitoba. We have done so by capturing the imagination and hope of millions of Canadians looking for progressive, practical, competent government, governments which do not take the present or future for granted.

There is a challenge in Ontario which will either be met with complacency or with leadership. We in the New Democratic party are determined to win the confidence of the people of this province, to lead the province out of this century and into the next, not in a narrow or partisan spirit, but in a spirit that combines generosity with tough-minded planning.

The thanks of the club were expressed to Mr. Rae by Edward B. Jolliffe, a Past President of The Empire Club of Canada.

FEBRUARY 4, 1982

How Canada Does It and Other Social Diseases

AN ADDRESS BY Barbara Amiel,
JOURNALIST

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: No one could have guessed that the cute baby girl who was born in Hendon, Middlesex during World War II would, in her later years, attract such appellations from her admirers and critics as: "the toast of the nuke set," "the red-neck in a Givenchy dress," "a reactionary Queen Bee," "a fascist bitch," and "the toughest writer and thinker to come along the Canadian pike in a long time."

No one could have guessed that that same baby girl would in 1982 head the list of 141 Canadians who have been named in the *World Almanac and Book of Facts* as the most widely known Canadians of the present.

And how could anyone have guessed that she would some day be the guest speaker at this historic club which was founded long before her arrival on this planet. But she is here today and it is my pleasure to welcome Miss Barbara Amiel to our luncheon table.

Barbara Amiel has had a most exciting and fascinating career since her arrival in Canada in 1952. On graduation from the University of Toronto with an honours degree in Philosophy and English, she worked for CBC public affairs as a story editor and on camera interviewer. After four years with the CBC she followed her personal philosophy of "having no allegiance to any piece of earth or particular set of rock outcroppings" and spent four years in Europe and America freelance writing and broadcasting. On returning to Canada in 1972 she became a contributor to all major Canadian magazines and also produced, wrote and narrated commentaries for the CBC on subjects ranging from psychosurgery to the ordination of women. In 1976 she became senior writer for *Maclean's* magazine.

Barbara Amiel has also co-authored with George Jonas a book titled *By Persons Unknown* which won the Mystery Writers of America's Edgar Award for best non-fiction crime book of the year, and in 1980 she wrote and published *Confessions* which is a personal account of a political journey from left to centre. Her other journalistic awards include two Epstein Awards for creative writing, the Periodical Writers Award and the National Magazine Award.

Ladies and gentlemen, please welcome Miss Barbara Amiel, Associate Editor of the *Toronto Sun* and described by one of her peers as a "beautiful woman with a capable mind who speaks from the heart with conviction" who will address us on the subject "How Canada Does It and Other Social Diseases."

MISS AMIEL:

Mr. Chairman, ladies and gentlemen: Thank you very much, Mr. Chairman, for that kind and generous introduction. There are a number of reasons why I have resolved to stop making any more speeches after today. One of the immediate reasons is the pressure those sorts of introductions put on me. One always feels that not only should each speaking occasion require a new speech but also for everybody's sake including my own, a new past. I thought perhaps something like "Miss Amiel is well known for her live and sensuous Greek dances and her vigorous animal husbandry" might be useful.

Barbara Amiel, Journalist

I have been lucky enough to have had the opportunity of travelling across this country and enduring all the classic situations that go with talking to people. I have got up at truly deplorable hours in the morning to confront Vancouver's Jack Webster on television because I have been told that is the place to get exposure for ideas. If one is lively enough one can get up for an hour of television time with Mr. Webster. Mind you, even I was unprepared for the sort of exposure Jack Webster had in mind when he faced the camera lens with me and opened the interview with, "Barbara Amiel, bare your breast." I have, of course, done considerably more in my time for the cause of free enterprise and liberal democracy but still it seemed an unusual moment to demand it of me. Somewhat to the chagrin of the bored television technicians it turned out that Jack Webster was speaking metaphorically. That was a matter of even greater chagrin to the lurking human rights commissioners who were monitoring the interview and undoubtedly perked up on a bit of hard evidence of sexual harassment.

When faced with the inevitable fatigue that comes with the recycling of speeches and the recycling of thoughts in a rather small stream of vortex, I am urged to not be ashamed of recycling. This has been urged on me by many people including my editor at the *Toronto Sun*, Peter Worthington, who adheres to the theory that a good idea can't be repeated too often. I think, though he has never said it, that behind his recycling theory is the belief that people don't remember what you said the first time around.

It may not be pure cynicism on his part. All print publications have readership surveys which are taken very seriously by publishers. They tell you whether Alan Fotheringham is read more than Peter Newman, or, in the case of the *Toronto Sun*, more than Peter Worthington. These surveys are the object of much study and intense discussion and can make and break writers and magazine formats. Worthington has never given these studies the respect they deserve. I discovered that recently when upon going through the *Sun* readership surveys I found that one of our columnists, a chap named Richard Dempsey, had received only a three per cent share of the readership in 1980. "That's not very good," I said to Worthington, "What section does he write in?" "Oh," said Worthington, "We don't have any such columnist, I just made him up." You know, he went up to twenty-five per cent readership in 1981.

My only experience with actually doing the devastating business of recycling speeches came in an utter disaster last year when I went to the annual shindig of the Hamilton Doctors' Association which was organized by a certain Doctor Finn. Dr. Finn had requested a speech on "a light and humorous subject of a non-medical nature." I am not a vaudeville entertainer and was somewhat taken aback by this request until I looked more closely at Dr. Finn's letterhead and understood his need for light entertainment. His request was not so much a comment on my specialty of social political philosophy as his specialty. The letterhead was quite explicit: "William T. Finn, General Surgeon with Special Interest in Diseases of the Colon and Rectum." It was too much to resist and so I began my speech with an intriguing and rhetorical look at the special interest of Dr. Finn. The next evening in a complete work overload, I took the same speech, for it was humorous and amusing, to the Women's Canadian Club of Western Ontario and was horrified to hear my talk introduced as "Barbara Amiel's answer to 'Where Do We Go From Here?"

In fact, I find that whether I recycle speeches or not, there are certain things I am hell bent on reaffirming. But to be frank and I think probably to the relief of many of you, I am withdrawing from the speaking circuit. It has caught up with me. My voice is certainly not a lone voice, but it sometimes amuses me that when I speak of nothing but holding up the best values and institutions of the Western world, equality of opportunity, due process of law, defence of liberty and individual rights; when I speak out in favour of the virtues of our society — not its vices, not its faults, not its errors, but its virtues — I should be such a minority voice. I haven't the constitution any more, or even the vanity, to try and continue to arouse organizations, groups and individuals to act in their own best interests.

We are a gutless society, and our businessmen, our churchmen, our politicians, our media, and that much endangered species, the ordinary man, are all partners. All share complicity in the destruction of that much under-rated phenomenon called liberty.

There is a story that the Hungarian poet George Faludy, who lives in Toronto, tells in one of his poems. It concerns the visit of the ambassador from Byzantine to the city of Rome near the end of the time of the Roman Empire. Outside the walls of Rome the barbarians are gathering; inside the city the Romans are copulating and sporting with glee. The Byzantine ambassador asks the Romans what they are going to do about the barbarians. "Oh," is the reply, "We send them gifts and that placates them." "And if it doesn't?" asks the Byzantine ambassador uneasily. "Well," reply the Romans, pointing to the thick walls surrounding their city, "We have the walls to defend us." The Byzantine ambassador is too polite to point out to the Romans that the walls will not defend the people if the people will not defend the walls.

Here in Canada, in the Western world, we are inside the walls. Outside the walls are the barbarians.

The world today is divided into the free and the enslaved. It is not empty rhetoric to talk of the Free World.

Outside the walls, among others, is the Soviet Empire. It is malevolent, destructive and expanding. It has swallowed up over half a dozen countries since World War II. It has demonstrated that it can move into independent countries like Afghanistan at will. It can send its surrogate troops into Cambodia, Cuba or Angola without any meaningful response from the West. It continues to use slave labour — slave labour that makes the slavery of the old Confederate American South look kind and humane. In its uranium fields and its gold mines and its factories are men and women, millions of them, condemned to die in conditions of unspeakable horror and brutality. Beaten, humiliated, left for days to die in their own excrement, or filled with psychiatric drugs if they are worthy enough to be destroyed in that sophisticated a manner, or more often sent to the labour camps for life to mine the resources and to produce the components for anything from the dear little teddy bears that the Soviets marketed for the last Olympic Games to the Lada cars thrifty Westerners drive. Conservative historians estimate that there were about fourteen thousand executions in Russia during the last fifty years of Czarist rule and about twelve million during the terror of the late thirties alone. It is very difficult to estimate the number of slaves in the Soviet Union today, but certain things can be stated. Among those people lucky enough, if you will, to have actually been brought to trial as a political prisoner, several historians have said there has not been one acquittal since the Bolshevik Revolution.

Outside our walls, of course, are other villains. You see, the barbarians that we are facing are a group of quasi-Marxist, quasi-tribal, quasi-theocratic forces that include many African countries and such countries as Iran, Libya and China, who, whether or not they are permanently aligned to the Soviet Union, promote and endorse ideas and institutions designed to propel the entire world back into the Dark Ages.

The thing to remember about these forces is that they are profoundly reactionary. A Qaddafi in Libya, a Castro in Cuba, a Nyerere in Tanzania may be new in time because they arose in recent years, but their ideas hark back to a tradition that preceded years of enlightenment and liberty. Castro, Mao, Nyerere, the Sandinistas or Mugabe are not progressive forces.

There is sometimes a peculiar confusion in the West that equates progress to whatever is recent or whatever is new, and it is time we understood that progress has nothing to do with the chronology of an idea. Because it pops up this week, because it is new, it can still be profoundly reactionary, harking back to medieval times. And that is what totalitarianism is. Whether it is the tribal totalitarianism of Africa, the

African Marxism of Tanzania or the scientific socialism of Cuba, it is a medieval idea in which the ruling power maintains all authority and liberty is virtually nonexistent, where the freedom to practise one's chosen profession, read and write what one likes, move from one farm to another, were all determined by the King's Will. Totalitarianism is feudalism in the twelfth century sense of the word.

Among the barbarians as well is the People's Republic of China with a gulag all of its own — far, far more sophisticated than the Russians. The Chinese understand that slave labour, which they thrive on, is not productive or useful to the economy if it is only extracted by torture. The permanent slave labour camps of China are inhabited by men and women sentenced to something called "reform through labour," who are first physically broken and then psychologically motivated to keep working at it for life.

The first literature on these camps came out in English in 1973 when the French made a deal with the Chinese for the release of a French citizen named Bao Ruo-Wang. He had been sentenced to fourteen years of "reform through labour" and had served seven years of it. He wrote a memoir called *Prisoner of Mao* which nobody ever reads and the CBC does not serialize. In the footnote he tackled the question of how many Chinese today are slaves in labour camps. The estimates, he said, vary widely depending on the politics of the person making them. Bao writes that there are even some distinguished authors, intellectuals and academics in the West — perhaps he was thinking of Chester Ronning — who appear to believe that there never was a labour camp in mainland China. At the other extreme are certain Sinologists who affirm that upwards of twenty million are being held in servitude for ideological reasons.

"Obviously," writes Bao, "the Chinese government furnishes no statistics but I can assure the reader from personal experience that the camps exist and their population is colossal." An interesting hint of the possible scale is contained in a phrase dear to Chinese leaders, "Only a small minority, perhaps five per cent, is against us." Says Bao, "If we drop that figure to two per cent it still gives us an estimate of around sixteen million slaves in the "reform through labour" camps.

The next time you are buying goods made in the People's Republic of China you might remember what Bao says about the picturesquely named Grass Mist Lane prison where he was held. Programmed starvation had been introduced as an interrogation technique. His description is as follows: "During my fifteen months in the interrogation centre I ate rice only once and meat never. Six months after my arrest my stomach was entirely caved in and I began to have the characteristic bruised joints that came from simple body contact with the communal bed. The skin on my ass hung loose like the dugs of an old woman. Vision became unclear and I lost my power of concentration. I reached a sort of record point of vitamin deficiency when I was finally able to snap off my toenails without even using the clippers. My skin rubbed off in a dusty film. My hair began falling out. It was miserable. Food obsessed us so completely that we were insane, in a way. We were ready for anything. It was the perfect climate for interrogations. Every one of us began begging to be sent to the camps. No one left Grass Mist Lane without specifically requesting it in writing. There was even a form for it: 'Please give me the authorization to show repentance for my sins by working in the camps.'"

The People's Republic of China has not yet reached the military might of the Soviet Empire. It requires a little more time and a little more infusion of Western aid, loans, technology and the hard currency of our tourists. Then they will begin to move in on our walls.

There are, of course, all sorts of other unpleasant regimes outside the walls as well — the military dictators of Latin America and the apartheid regime of South Africa. But they differ in one significant way from the barbarians. Unpleasant though they are and as immoral though they are, they do not wish to export their political and economic domination to our shores. The military dictatorship of Brazil is not nice, but it will not export guerillas to Costa Rica. Nicaragua under the Sandinistas will try and export Marxist Leninism throughout Central America. It is the ideology and professed aim of these barbarians to co-operate in a destabilizing of those opposed to them.

This is an utterly crucial difference to understand. It is not a moral difference of any immediate significance for the man who is having his genitals prodded with electric shocks, whether he is in the clandestine prisons of Argentina or the gulag of the Soviet Union, but it does have a long-term significance for both those prisons and ourselves.

Only a free West can help the prisoners of today's left- and right-wing dictatorships. But, unlike forty years ago when it was the forces on the right, the Nazis and the fascists who were trying to destroy the free West, today, for the moment, it is only the forces on the left who are trying to destroy us. To help both left and rightwing victims around the world, a free West must concentrate its attack on the enemies on the left.

Of course the barbarians' aim of world domination has not escaped the attention of the Europeans, perhaps because unlike us they are closer to the walls. In a report last November the European Parliament noted that Europe had become increasingly vulnerable. Since Europe is dependent on imports of energy and most of its raw materials, it can be subdued, if not quite conquered, without all those nuclear weapons the Soviets have aimed at it simply through the shipping routes and raw materials they control. The Soviet Union and its block countries control a good percentage of vital strategic raw materials as reported by various strategic studies. It has been their policy to gain control of those countries from which come cobalt, tungsten, vanadium and magnesium. The Soviets also dominate the shipping routes to Europe. A report passed unanimously by the European Parliament said, "The European Community is perturbed by the vulnerability of its sea links with Africa, the Persian Gulf and other parts of the world." Since the NATO treaty does not cover areas south of the Tropic of Cancer in which the increasing sea power of the Soviet Union, both in naval forces and the merchant marine, presents a growing and calculated threat, it calls on the member states to co-ordinate their patrols outside the zone and to strengthen their naval forces.

I mention this report because here in Canada one is faced with an extraordinary Alice in Wonderland problem. It is still necessary to explain to people why one is ranting about the Soviet Union. When I told somebody about what I was talking about today, he said, "Look, you don't want to sound like one of those dreadful rednecks just going on and on and on about Communism." It is still necessary to explain that the Soviet Union is an active enemy, bent on expansion.

So permeated with left-wing apologies have we become, so busy with our copulation inside the walls, so involved with our pursuit of creature comforts and so utterly devoid of leadership are we, that in Canada, perhaps more than anywhere else in the Western world — in this one area we are the leaders — we dismiss or are indifferent to the Soviet threat. After all, what blood has actually been shed on this soil? What difference does it make to us if Yugoslavia or Albania or another central European country goes to the Communists? What does it have to do with our problems if the Soviets win Central America? Viva Castro! And so, we have decided to help the Soviets in their efforts.

For the Soviet Union, the country that is doing everything possible to jeopardize the energy sources of the Western world, we in Canada will turn the other cheek and help them build up their own energy supplies, courtesy of the Canadian taxpayer, as was revealed last week with the development of the huge natural gas complex at Astrakhan, which the Canadian Export Corporation is subsidizing with 200 million dollars. We will give them sophisticated technology even though as one oilman reported to me off the record, "Out here in Calgary there is a lot of soul searching about whether or not we should help the Soviets." We will cover up the failure of Marxist economics by helping them avoid its consequences and giving them bank loans, credit and grain. And no doubt here in the audience there are people who have paid an exorbitant fee to hear me and that money is coming from money they have made off the pipeline deal or trade with the Soviet Union.

By now it is evident that the Soviet Union must gain control of Europe to maintain its empire. I hasten to add, *not* to turn Europe Communist economically. The Soviets know that Europe is only useful if it continues to be productive and socialism has proved to be a giant economic failure. The interests of the Soviet Union are in controlling highly developed countries and having the benefit of their economies so that they can run their own inefficient empire. This simply requires domination through intimidation, perhaps even without occupation. And how do you control, dominate and intimidate Europe? By reducing the credibility and power of the United States. By showing Europe that the Soviet Union controls its access to energy and raw materials and that the United States cannot do much about it. And by encouraging weak allies of the United States, like Canada, to turn against the policies of America and make us, in some ways, as we have become, *de facto* allies of Moscow.

So we have the situation today. The barbarians are outside the walls and they are being fed by the Canadians.

Our businessmen flock to Moscow and Cuba and China to sign contracts and build up the staggering economies of these countries. I do not know what the motivation of Prime Minister Pierre Elliot Trudeau is, whose policies (long before his extraordinary approach to Poland) made him a pinup at the Kremlin. Author George Jonas, my collaborator and ex-husband, was in Budapest this Christmas visiting his mother when the Polish crisis reached its pinnacle. He phoned from Vienna, after he had left Budapest, and said, "You know, Barbara, the streets were covered with snow and after all weather knows no political boundaries so that did not surprise me, but the television screens were filled with Pierre Elliot Trudeau. Did I have to go to Budapest to hear Trudeau lecture an imprisoned people on the wisdom of their jailers?" But more important was the reaction that he heard from the Hungarians watching the Prime Minister of Canada on television. They listened to him defend martial law and they had two responses. The younger people said, "He's mad, how could he say that?" And the old people said, "No, no, children, you don't understand. He's not really saying it; the Communists have doctored the television tapes."

Whatever Trudeau's motivation is, however sinister or ideological it may be, I do know about the motivation of most businessmen negotiating their contracts with the Soviets. They see the bottom line of employment, jobs, profit and dividends. Their myopia and astigmatism blinds them to the reality — that they have far more to lose in the long run than their silk shirts and shareholders. They will lose their freedom. They will lose liberty. They are feeding the world that will devour them and their children.

How, how did it happen? It happened because we, the people, lost our interest in defending the walls. We lost the will. We lost the strength. We listened to the slogans of the barbarians — and this is the core of the problem — we decided that what the Marxists were saying had a point.

The Marxists said our society was rotten, exploitative and degenerate. And we, noticing faults in our society, both imagined and real, decided that what the Marxists were saying about our institutions and values was not untrue.

It did not occur to us that the Marxists' solution was fraudulent or that their vision was distorted, that whatever the wrongs in our society it was not the ideology of theirs that will cure them. It did not occur to our intellectuals and politicians and the whole spectrum of opinion makers who push society in a certain direction that some problems cannot be solved entirely, that the cure may be worse than the disease. Today, whether in Canada they call themselves the Progressive Conservatives, Liberals, New Democrats or that dreadful group of people in something known as the United Church, the solutions they advocate to most of our social problems are neo-Marxist, though being basically illiterate they probably don't even realize it.

Our society is not perfect and this will come as no surprise to many of you. But liberty, you see, that precious child of our liberal democracy only two hundred years old, has one notable side effect. When virtue is at liberty, so to some extent is vice. In a free world there is, alas, more common crime than in a dictatorial system. Dictatorships do cut down on rape, and pillage, not to mention sexual harassment, by the simple expedient of sending people to labour camps for life or cutting off their hands without a trial. The same liberty that protects me also protects members of the Mafia. And so we listened to the barbarians and saw our society as crime-ridden, which it may well be. But we believed it to be a side effect, not of liberty, which it is, and a price worth paying, but of a social malaise and sickness. And so we made the crime problem worse by attempting to handle it with muddled pop-sociology, pop-Marxist programs addressing the "deprived social circumstances" of criminals and the redistribution of income.

We heard the Marxists shout that our society was unfair, that the rich were too rich, and that the poor were exploited. We did not understand that, since in a free society income is measured in money rather than in power, the difference in income between human beings in a liberal democracy is more obvious and blatant, but it is not greater than in a Marxist state like China where the ruling class in a dictatorship has proportionately far more of what the country has to offer than all the people put together below them.

We heard the barbarians shout that our society was unfair in opportunity, which is no longer true. What is true is that the failure of an individual in a free society hurts more because they cannot ascribe their failure to outside restrictions, or to the unfairness of the ruling classes. Failure in our society becomes more the fault of the individual and we have convinced ourselves that even that is unfair, that people should not be held accountable for their inability to become nuclear physicists, millionaires, or to look like Brooke Shields, and that there must be a committee to legislate equality of results or punish achievement.

Of course, some of the vices of our society were and are real, not only common crime but racism. When people are left to their own devices they will often discriminate against groups, whites against blacks, blacks against whites or East Indians, Catholics against Protestants, and my people, Jewish females, against any man who won't marry us.

But the great lesson that we learned about racism we learned from the institutionalized racism of Hitler's Third Reich, and from the institutionalized racism of the United States which limited the rights of blacks up to the Civil Rights Act of 1964. That lesson is that the best a society can do to minimize and prevent racism is to see that the state itself is non-discriminatory, that so long as our society does not have laws discriminating against whites, blacks, Jews or gentiles, we have the best chance for a decent society.

But we listened to the barbarians shout that we were racist, and lacking faith in our institutions we began to truly institutionalize racism. We have instituted laws which discriminate and we call them "reverse discrimination," based on the profoundly stupid and anti-libertarian notion that if you force private citizens to hire, house and socialize with those groups they dislike, you will eliminate racism.

The many ways in which Marxist thoughts have influenced our domestic policies and contributed so handsomely to the extraordinary economic and social mess we are in today is a separate discussion. My concern at this time is more with what it has done to us externally, but I will touch very briefly on what it has done to some of our social policies. We are told there is a shortage of skilled labour, and that is the fault of our educational system which doesn't have all the technical schools we need, so we are about to build all kinds of technical schools. We ignore the fact that there is also a shortage of waitresses, dishwashers and secretaries. A muddled egalitarianism has permeated our society and disseminated the myth that everyone has an inalienable right to be a middle class white-collar worker irrespective of ability or need. That is what is responsible for too few skilled workers. It is a crisis of social expectations, not of schooling facilities. Why should you be surprised that people think they should all be architects or reading Santayana or working in the civil service, in spite of their obvious indifference to literacy, when that is what we have been suggesting all the time?

Our educational system is itself among the greatest victims of neo-Marxism. We swallowed whole the bolus that if we educated everybody we would end poverty, unemployment and passing racial tensions. If only everybody could have a B.A., we would all be temperate, nice people and listen to Bach and read the *Toronto Sun*. Of course, in order to make sure that everybody got to university or to a post-secondary institution, we had to get everybody to high school: *everybody*, so we denied excellence as an élitist concept. We refused to fail people who should have been failed, and we cheated and frustrated our students and our teachers. We handed out masses of diplomas but we could not find the necessary white-collar jobs for the possessors of a B.A. who were unfortunately unable to spell, and we wondered why a B.A. had become worthless.

Our planners in the Ministry of Education had not been blessed with the limited foresight of the mad alchemist, King Rudolph of Bohemia, who in a rare moment of sanity asked his assistant, "If we ever find the Alchemist's Stone that can turn base metals into gold, will gold still be worth anything?"

Though it goes without saying that in a liberal democracy we should be able to see that all our citizens, regardless of their adherence to the work ethic or ability, are neither hungry or cold, that we should have the social programs to support a minimum standard of living, we swallowed the Marxist myth that it was a human right to have middle class housing, irrespective of income, that the poor should not be discriminated against in terms of shelter, that it is to deny a basic human dignity if one builds assisted housing in the suburbs instead of the heart of Toronto's consumer core, which is, I believe, the thought behind the current assisted housing projects near St. Clair and Yonge as well as in the Bay-Bloor area.

This is not only absurd, it is counterproductive both to the society that proclaims it and more importantly to the poor themselves. An apartment at Yonge and St. Clair is not a basic human right. It is not only that society is no longer rich enough for these hairbrained schemes — God knows what tax revenue we lose by them — it is that this is not a positive or constructive approach to eliminating the problem of poverty itself. There have to be incentives to do better in life. It is ludicrous to remove all disadvantages.

Using neo-Marxist vocabulary we attacked our institutions and our society with a vengeance. Foreign investment, multi-national corporations, became evil and exploitative. Without a single thought to the common sense observation that foreign investment under the kind of controls we rightfully hold simply helps the people to develop their own country, foreign investment was mischievously confused with ownership and with the loss of sovereignty of a country.

In addition, since it was necessary to implement the myths of egalitarianism, that all people everywhere should enjoy the same services and standards of living, whether they were in the subsistence agricultural economy of Newfoundland or the rich industrial heartland of Ontario, we initiated absurd systems of transfer payments and lunatic projects to turn areas of our country more appropriate to the farming life of the Hebrides into little Detroits or Calgarys. We penalized success and wealth since we decided that success could only come about at the expense of someone else's exploitation.

Domestically this had interesting repercussions. It meant that as soon as one group — the orientals, the Jews or the manufacturers of plastic goods — began to achieve a high profile, we would talk of quotas against them to bring them back down to their rightful level, as we did with orientals at the University of Toronto Medical School, or as we did in the last budget by placing a new and lethal tax on the wholesale price of manufactured goods, sending inflation spiralling upwards as the price of every manufactured article in this country had to be increased to feed federal coffers. The successful were only successful at the price of someone else's blood, our legislature argued, not understanding or not wishing to understand that the only way to help the most people in society is to encourage excellence and enterprise, not to reward mediocrity.

And indeed, we transferred this approach into our foreign aid programs, ignoring and penalizing those countries like Taiwan or Hong Kong or Singapore that had demonstrated how with no natural resources they could produce thriving economies based on free enterprise, and instead sent our aid, our dollars, to the bloody dictatorships of Tanzania or Mozambique to shore up the political prisons, the repression and the disastrous collective economic systems that reduce such rich agricultural countries to basket cases.

The barbarians' taunts had become our creed. Our television and our movies were filled with stories about our own impoverished culture. No movies about the world's greatest holocaust, the forty or fifty million dead in the camps of the U.S.S.R. Indeed, if you only look at television and movie theatres this week what do you see? A CBS movie called "World War III," which makes it clear that the Soviet president is just as swell and caring a fellow as the president of the United States; it's only his military that points those nasty SS20s at Europe. An interesting film called "Reds" which is the story of a warm, caring couple who fall in love and support the Bolshevik revolution until their moment of disillusionment. Can you imagine what the reaction would be if we had a movie called "White Hoods," a warm, moving love story of two young, idealistic members of the Ku Klux Klan who support the movement until they get disillusioned at one of the lynchings? God knows, though the Ku Klux Klan is every bit as hideous as the Bolsheviks, it is not nearly as powerful or as malevolent in its inefficiencies, but can you imagine what an outcry there would be if such a piece were produced? Yet there is silence over this land when we give the other side of the story.

We have heard the barbarians' cries and swallowed their language and ideas and in doing so we have not only crippled and eaten away at the institutions inside our own walls, we have lost the spirit to defend those walls. We believe the barbarians may be right. If we learned nothing from Vietnam we should have learned how little helicopters, armies, weapons and those walls count if they are not backed by the spirit of determination and a belief among the people that they are fighting for a worthwhile cause.

Today we talk about the deadliness of our system. What on earth do we mean? We have allowed such talk to wander unobstructed, carelessly, into our language. The deadliness of our system? Of liberal democracy? Of a system that in the history of the world has produced a better standard of living for more of its people than any other in the world? Not perfect. Not able to eliminate all the evils of poverty, disease and dirt, but the very best yet, as yet, that human beings have discovered.

And now, Poland. Forty years ago when Hitler invaded Poland the free world stood up and said "Enough!" We went to war over Poland. Forty-three years later when Poland was *ipso facto* invaded by the Soviets, we put on a television show in which Henry Fonda quoted Friedrich Engels and Pierre Elliot Trudeau said that it was a shame that too many people in Poland had been interned and too many freedoms were still being broken, as if, had they only interned slightly fewer people and suspended just half a dozen freedoms it would all be okay.

Poland is the litmus paper of the West's will to survive. We must go to war over Poland, not militarily but economically and politically. We must suspend exporting our food, our trade, our technology to the Soviet Empire. We must understand that we are fighting for our very lives. It will mean economic pain — more for them than for us — but whoever said that freedom and liberty could be purchased on an American Express card?

Those of us who care passionately about what is inside the walls, and wish once again to force the people to defend them, can only point these things out. We are haunted by the words of the poet Yeats, "The best lack all conviction, the worst are filled with passionate intensity. Surely the Second Coming is at hand." I won't believe it. The best must find conviction, the passionate intensity, the strength. We are a people still of courage, of stamina, of fibre. God help us, the Second Coming is urgent. It is the resurgence of liberal democracy and our willingness to sacrifice something for it, or we will have nothing to bequeath our children but darkness, wailing, and the terrible haunting sounds of oppression and fear.

The thanks of the club were expressed to Miss Amiel by John MacNaughton, a Past President of The Empire Club of Canada.

FEBRUARY 11, 1982

Heritage Preservation and the Energy Crisis

AN ADDRESS BY Pierre Berton,
CHAIRMAN,
HERITAGE CANADA FOUNDATION

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: Our esteemed guest speaker today is one of our best known Canadians, and the fact that this is his third appearance at this historic club is evidence enough of the high regard in which he is held.

Born and raised in the Yukon, a graduate of the University of British Columbia, a veteran of World War II, a seasoned broadcaster and a respected journalist, Pierre Berton has become Canada's most popular and prolific author, producing at last count twenty-seven books in the same number of years. Most of them have been bestsellers because of his excellence as a storyteller who uses the past to illuminate the present.

He is also a television personality who may be seen in your home several times a week. After over twenty-five years in television, notably on CBC's *Front Page Challenge*, his face is as familiar as the Prime Minister's — Canada's other Pierre. His *Pierre Berton Show* lasted for eleven years of interviews with some 1,600 guests including such famous people as Lester Pearson, Harold Wilson, Arnold Toynbee and Jimmy Hoffa. *The Great Debate*, of which he is the moderator, continues to be a popular television program.

But there is more to Pierre Berton than writing books and appearing on television. He is a devoted family man, a valued and generous friend to many, and a great humanitarian. He is interested in a half-way house for ex-convicts, and he helped a prison inmate, Roger Caron, to get his book published, which won a 1979 Governor General's Award and an early parole for its author. It is reported that he plans to leave his property to the Writers' Development Trust as a retreat where writers may mingle and write, and he devotes much of his time to the Heritage Canada Foundation of which he is the Chairman of the Board of Governors.

Heritage Canada has as its primary task the preservation of the built-up heritage of Canada as well as the national heritage. The third Monday in February is designated as Heritage Day, which Pierre Berton hopes will some day become a national holiday.

Ladies and gentlemen, it gives me great pleasure to once again welcome Pierre Berton to The Empire Club of Canada and to invite him to share with us his views on the economic benefits in the preservation of our heritage.

MR. BERTON:

Mr. Chairman, Mayor Williams, distinguished guests, ladies and gentlemen: It is a pleasure to be here on the eve of national Heritage Day, which we helped to start some eight years ago, and which the government has not yet seen fit to make a holiday. We hope some day it will. At this time of year as I walk down the windy streets of Toronto I think about getting away or at least taking a day off to celebrate what's on these windy streets.

People are confused, I think, as to what Heritage Day is and what heritage means because it has become the "buzz" word of the 1980s. Everything is "heritage" these days and everybody has a different use for the word. In the Toronto telephone book there are now thirty-five establishments that use the word "heritage." I notice there is a heritage car dealer (selling Edsels no doubt), a heritage clothing store (with bustles I suppose), a heritage customs broker, a heritage paint company, a heritage pharmacy, a heritage upholstery, a heritage photographic salon, a heritage insulating company, even a heritage investment corporation. This suggests to me that as "heritage" has become a popular word, it has also become a confusing word.

Let me tell you what we mean by the word "heritage" and what Heritage Day is supposed to be for. As your chairman has just told you, we are concerned with the built-up heritage of this country — with the physical evidence of the past and with the buildings and the streetscapes that are living history lessons for us and will be, if we save them, for our children and their children.

This idea of preserving the past is a very new one in Canada. It is not new in other countries, but we are late-comers because we are a young country. There has been an enormous change in attitude in the last two or three decades. Who would believe, who could believe now, that just about thirty years ago C.D. Howe wanted to tear down the Parliamentary Library and the East Block on Parliament Hill and build modern steel and glass structures in their place? He would have done it if Mike Pearson hadn't stopped him. Who would believe that twenty years ago Fred Gardner wanted to move the most historic battleground we have and the buildings on it, which is Old Fort York, to a more convenient location on the waterfront so that the Gardner Expressway could go straight through the middle of it. Fortunately, it turned out to be cheaper to move the Gardner Expressway around it; otherwise we wouldn't have that primary tourist attraction with us today. Who would believe that

Pierre Berton, Chairman, Heritage Canada Foundation

Eaton's said they could not build the Eaton Centre unless the old Toronto City Hall was torn down? Fortunately, it wasn't and the Eaton Centre is built. Who would believe that just ten years ago the Union Station was threatened in Toronto, and that just nine years ago as Heritage Canada held its first meeting, the fine home of Sir William Cornelius Van Horne, the builder of the CPR, was under the wrecker's ball in Montreal.

All this happened because people in this country did not believe we had any history. That is the penalty we pay for being a young country. If your grandfather was involved in it, it isn't history. History is something that happened a thousand or five hundred years ago but not something that happened a century ago. That attitude has changed and I think it changed when we reached our hundredth anniversary in 1967.

Because of that change we do not really need to worry much longer about the obvious historical buildings in this country or the obvious buildings of architectural quality. Most of those battles have been won. But our concerns at the Foundation have always been much broader than that. It is very nice to save specific buildings but we are not concerned only with the outstanding buildings in this country. We are also concerned with commonplace buildings. We think these are equally important because they make up the streetscapes of the nation — the ordinary residences of the people of the past, which are still being used. And it's not just the houses but also the factories, the railway roundhouses, the grain elevators, the warehouses — buildings that are useful and which contribute to a feeling that we have been around for a while.

One day what is now common will be outstanding. I give you the example of Amsterdam. They didn't just save one or two buildings to show what it was like in the seventeenth and eighteenth centuries. They designated 10,000 buildings along the canals which cannot be changed. The result is fantastic. Besides making its citizens happy this heritage brings in a great deal of tourist money.

So let me give you our definition of a heritage building. Any building that is structurally sound and for which an economically viable use can be found is a heritage building.

In this thrust we have an unexpected ally and that is the energy crisis. In the present building stock of this country we have a vast storage of invested energy that we can't afford to lose; it's a national asset. Let me give you a startling figure. To manufacture and put in place eleven bricks, it takes an amount of energy equivalent to that produced by a gallon of gasoline. Now every time you tear a building down you lose that energy. A while ago our staff figured out how much energy is locked up in the old Toronto City Hall, which was threatened some years ago. It amounts to the equivalent of one million gallons of heating oil, enough to heat that building for forty years.

In 1979, the U.S. Advisory Council on Historical Preservation conducted a very interesting study. They selected three buildings in different parts of the United States — a former hotel, a former carriage house and an apartment building. Two of these had undergone extensive renovation; the third was empty and abandoned. They wanted to figure out how much energy was locked up in those buildings and whether it would be productive, from an energy point of view, to tear them down and replace them with more energy-efficient structures. The calculation was quite simple. They figured out the amount of energy it would take to manufacture and put in place the building materials for an equivalent building. To that they added the energy it would take to demolish the building and clear the site. From that they subtracted the gains in energy that might accrue from a more energy-efficient building. (As it turned out, one of those three buildings was perfectly energy efficient anyway.) The results were not surprising to anybody who has been in the business. They learned that the retention and rehabilitation of these buildings would produce significant energy saving over the demolition of those buildings and new construction. In fact one of the buildings, the Grand Central Arcade in Seattle, showed a net energy advantage over an equivalent new structure for the next two centuries.

That's the first point I want to make: that locked up in every one of these buildings is an enormous amount of energy that we cannot afford to waste. The second point is that it is much cheaper to save buildings than to tear them down and replace them.

The Heritage Canada Foundation has just completed a low-key restoration of a rather nondescript, but perfectly stable and useful building in the old Market Square area of Winnipeg. One of the things we do is to go into various areas and act as a catalyst to get something done. So we went into this area and we bought, as a demonstration project, a large office building. It wasn't a fancy building. It did not have much architectural glamour to it. It was historic in that it was old, but not because the President of the CPR had ever slept there! It was part of a streetscape of an area now being rehabilitated with great gusto by the citizens of Winnipeg. We were able to restore it so effectively that it is now a good looking building in which anybody would be proud to rent an office. It's a workable building and you can get office space in it just one block from Portage and Main for five dollars a square foot. You can't build a building in Winnipeg ten blocks from Portage and Main and rent at that price.

The answer, of course, is that you have to know how to do it. There is a myth around that preservation is terribly expensive. Well, it can be if you don't know your business. That's one of the problems this country faces. We have lost the old techniques. As far as I am able to find out, no major university in Canada has an architectural school that teaches preservation architecture. The artesans know little about the techniques of the past. The contractors don't know and certainly the general public, who are sandblasting brick houses in this town to destruction, don't know.

That's why about two years ago we, in the Foundation, began an ambitious training program we call a University Without Walls. It consists of seminars, workshops and two-week courses for the general public, for the unions, for the architects and for contractors to teach them the old lost techniques of preservation. We shouldn't have to do this but since there is a vacuum there we moved into it. It's been very successful.

It's important to do this because the postwar construction boom has passed its peak. In 1975 new construction took up sixty-eight per cent of all building work and rehabilitation took up the rest of it. By 1980 it has dropped to fifty-nine per cent and the graph continues to move down. The costs of new construction are going up horrendously, much faster than the consumer price index. New construction which cost $10,000 in 1971 cost $30,500 in 1981, whereas the comparative consumer price index figure would be only $23,500. Those are the figures of the Conference Board of Canada. So you can see it is becoming very expensive to tear down buildings that are useful and to replace them with new buildings of the same size. However, we still think in terms of new construction. We still think in the boom day terms that were possible and necessary after World War II when we needed to build new buildings in this country.

Every few days I see in the newspaper a story about housing starts being down. We measure by housing starts but we ought to be measuring by preservation or renovation starts. The fact of the matter is that housing starts may be down because there are fewer new houses being built this year than last year. But it is also true that there are factories, warehouses and large homes being re-adapted for more people to live in. If you are going to have a true estimate of the number of dwelling units in this country you must add the preservation starts because preservation now takes up over forty per cent of the construction business. Canadian Mortgage and Housing has said that there is an enormous potential for renovation in this country — that if the forty per cent were doubled we would not reach a saturation level for another twenty years. That would represent, in their estimate, between 200 and 500 billion dollars turned over to a labour-intensive business — because preservation is much more labour-intensive than new construction.

Where do we stand as a Foundation in all this? I can't tell you today about all the things we do at the Heritage Canada Foundation because it would take too much time. But I want to concentrate on two.

Our headquarters are in Ottawa. We have a staff of some thirty people there. We were endowed by the government nine years ago with twelve million dollars, now reduced to about half because of inflation. We live on the interest and occasional donations — not very much these days. We have a membership of 12,000 to 14,000 people and there are about three hundred organizations linked to us. The members all get our newsmagazine. We are not making money out of our memberships but we think we are gaining converts.

I now want to tell you about two of the things we do. The first is in the field of education. First, we are trying to educate the politicians. The reason for this is that the tax structure and the building code structure were both geared to new construction in the postwar boom. These pay no attention to the new boom in preservation. We have prepared, with the help of the best tax experts in the country, our proposals to change the income tax laws because under the income tax laws it is at present cheaper to tear down a building and build a new one than it is to sell it to someone who wants to save it. That's because of the terminal loss provision in the Tax Act. Those terminal loss provisions have been cut in half in the recent budget, and I guess I was the only Canadian who wrote Allan McEachen to say there is something I liked in the budget.

We are also trying to educate the general public through our magazines, through a whole series of pamphlets, resource materials, educational seminars, lectures like this one, and some very fancy books such as Heritage Canada's new coffee table book we published this year. It's more than a collection of pretty pictures. It tells how we can learn about this country by looking at the buildings and through films.

We are also working with industry on a very practical level. One of the banks has asked us to conduct seminars in heritage preservation. That's the fourth area of education — with the business community. Most of the heritage buildings in this country are controlled by three institutions — the banks, the railroads and the churches. Two years ago we did a study and discovered that no major banks and trust companies had a heritage philosophy. Dr. Harold Kalman, a respected architectural historian, did the job for us. We found out what we suspected. Although some banks are saving some buildings and some banks are tearing down others, there is no consistency among them. There is no heritage philosophy among the banks as to what should be done with this enormous stock of buildings — some of them very handsome and most of them occupying the main street corners of this nation.

Having done the study and printed it, we have sent copies to the chief executive officers, the public relation directors and the directors of all the major banks and trust companies. We will be seeing them shortly at the very top level to try to get them to agree on a philosophy, not just on saving certain buildings but also on replacing them with something that fits into the community when they have to tear them down.

Put yourself in the position of a small town, say in Manitoba. You have a bank on the corner that is a heritage building — a very handsome building — probably a classical building with classical pillars. One day the bank tears it down and replaces it with something that does not seem to fit into the rest of the street. The reason it doesn't is that nobody has ever come out to the community to look at that street. Some architect in either Toronto or Montreal has designed that building, perhaps from a set of plans he already has or perhaps from something new. They have superimposed their ideas on a small Manitoba community without even listening to the general manager of the bank. That's one of the reasons there is a thing in this country called western alienation. That's one of the reasons the banks don't always have as good a profile as they would like to have. Now to be fair to the banks, they are changing. There is no doubt that in the last few years they have become sensitive to this but it's important that they now try, and we are happy to help them, to develop some kind of philosophy so that this sort of thing doesn't happen again.

We are now starting a project on the railways because all the railroad stations in this country, some of them the best loved buildings in the town, are threatened with destruction. Many of them can be used again — if not on the original site, at least somewhere else. There are certain ones that have been turned into community centres or restaurants or something else. We don't think they should be museums. We are not in the museum business, and there are already enough museums in this country,

Then we will have to consider the churches, although the churches are less threatened at the moment. If a church is to be closed it doesn't mean it has to be torn down. There is one on Hazelton Avenue that was a haberdashery shop for a while. There is one in Stratford that is a restaurant.

The second area I want to talk about is the area of demonstration. We are involved in a whole series of demonstration projects, such as the one I told you about in Winnipeg. We are now in almost every major city in Canada, but our new demonstrations are going to be in the main streets of the small towns.

I think our main street program is one of the most exciting things we have done in the nine years I have been with the Foundation. Let me point out what the problem is. In many towns of between 5,000 and 15,000 and sometimes larger, the core of the town is rotting away. The main street usually has most of the heritage on it. If you have driven through the small towns in Ontario you know that the glory of this province are the beautiful streetscapes with those red brick Victorian, Edwardian and pre-Victorian buildings. The top floor is usually empty, although some of these buildings are completely empty. The buildings are in a state of disrepair. The merchandise is badly displayed in the windows because all the people have been attracted to the shopping centres on the outskirts.

Main street businesses are usually run by the sons or grandsons of people who founded the businesses and who often haven't kept up with retailing methods. The shopping centres are draining the business from them because they have better sales techniques and better organization. A shopping centre is really a dictatorship. One man is in charge and he tells the merchants when they will open and close; he establishes the signage; he brings life to the shopping centre with a whole series of events in the main mall; he insists on good window merchandising. And so the shopping centre becomes lively, while the main street of the town begins to die.

Our attitude is not to throw in half a million dollars to refurbish the main street. That can often ruin a main street because they start tearing everything down. Ours is a very low-key program. The first thing we do, if we are asked to help (and we never go where we are not asked) is to look over the situation and send in one staff person who acts very much like the manager of the shopping centre. He treats the main street as a shopping centre. He establishes a store front operation on the main street, and he does not talk in terms of preserving buildings because that's at the end of the exercise — and the exercise lasts three years. He talks instead about opening and closing hours; he talks about lively events on the main street; he talks about things like window displays. He gets people in who are experts in merchandising to give courses in that subject and he fixes up the one building he occupies. He gets lettering and design people to talk about design. Soon the storekeeper next to him wants to fix up his building and before you know it they are all fixing up their buildings. His job is to make sure they do it right, that they don't cover up the buildings with vitrolite or plastic. Once cleaned up with the bricks restored or painted and with decent looking signage the buildings give character and new life to the street.

That is our main street program. We began it about two years ago. Our first demonstration project is in the town of Perth, Ontario, a town with a wonderful residue of heritage buildings. We have been there now for a year and a half. If you were in Perth at Christmas you would certainly have been on the main street for the celebration called Christmas in the Valley. I think you would have noticed a subtle change on that main street. There is another year and a half to go before we withdraw and let the thing roll by itself but I must tell you that for every dollar that we have invested in the business district of Perth they already received an additional nineteen dollars in new business. More new businesses are moving to Perth.

We also have a main street program in Nelson, B.C. which is relatively new. We are about to start one in Moose Jaw and we will go on from there.

We cannot, however, hope to save every main street in this country with a staff of thirty. There are thousands of main streets, so our job is not to do it ourselves but to encourage other people to do it. This is also true of our educational program. Our job is to teach the teachers — to build up a cadre of people, to build up a series of resource pamphlets based on our experience in places like Perth, Nelson and Moose Jaw.

We intend also to make a film so that in the future the towns themselves can do the job without our help. At that stage we can move out of the main street program and go on to something new. I hope you agree with me when I say our program is a practical one.

We think that preservation makes economic sense. I wince when I walk down the streets of this country and see a building built to last two hundred years being smashed to pieces by a wrecker's ball just because it has been written off in the books. That's a waste! By doing that we destroy the texture of the community we live in. The community loses its personality and its distinctiveness and what makes it unique, like the buildings along the canals in Amsterdam.

It is very important to have an architectural mix in our cities. I am not opposed to new buildings at all. There are some very fine ones. When I drive along the Gardner Expressway it's a joy to me to see this magnificent hotel, which is now a heritage structure, limned against the new bank buildings behind it. They provide a backdrop as in a theatre. When I drive into town from my office near Parliament Street as I did today coming for lunch, it is a joy to see the Flatiron Building against the same backdrop but from another angle. That's what makes a town! To see a row of fine brick Gothic houses set against a modern apartment building is equally pleasant. If you want to be practical about it, the tourists like it. That's where the money comes from. They don't want a copy of the town they come from; they want to see your town as it is now and as it was in the past.

But there is another practical advantage to heritage preservation that is not measured in dollars and cents. Perhaps I don't have to say it to you, but I will anyway. By preserving a mix of streetscapes, areas and views from the past we tell our children and their children something that is very important. We tell them we are not brand new. We tell them that we do have a history, that we have been around for a while. We tell them that we have got our roots down; that we have a common heritage; and that because we have been around a while we are going to stay around for a while. So at the Foundation we think of ourselves as being more than in the preservation business. We believe we are in the continuity business, which means we are also in the national unity business, and that's not a bad goal for the 1980s.

The thanks of the club were expressed to Mr. Berton by Robin Chetwynd, a Director of The Empire Club of Canada.

FEBRUARY 18, 1982

Hanging Together: Canada After Patriation

AN ADDRESS BY The Honourable Thomas L. Wells,
MINISTER OF INTERGOVERNMENTAL
AFFAIRS AND GOVERNMENT
HOUSE LEADER,
PROVINCE OF ONTARIO

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: Today The Empire Club of Canada is pleased to welcome as its guest speaker the Honourable Thomas L. Wells, Minister of Intergovernmental Affairs and the Ontario Government House Leader.

Mr. Wells was first elected to the Ontario Legislature in 1963 as a member for Scarborough North and he has been re-elected in every provincial general election since. He was appointed to the cabinet in 1966 as a minister without portfolio by the premier at that time, the Honourable John Robarts.

In 1969 he was appointed Minister of Health, and in 1971 he became Minister of Social and Family Services when the Honourable William Davis formed his government. The appointment as Minister of Education followed in 1972 and he was appointed to the present portfolio in 1978. In this new ministry he is responsible for the sensitive and all important relations with the federal government and other provinces.

His task is not an easy one as evidenced by the reports that emanate from federal-provincial conferences. They bring to mind a story about a convention of government officials who gathered to discuss, among other things, endangered species of wild animals. Among the activities undertaken by the group was the writing of a thesis on the elephant as it related to each representative's country. The Englishman entitled his "The elephant and its role in the building of the Commonwealth." The American wrote about "The raising of elephants for fun and profit." The Italian wrote on "The sex life of the elephant." The Frenchman called his "A hundred and one ways to prepare elephant" and the Canadian titled his "The elephant — a federal or provincial problem."

As government house leader — a position to which he was appointed in 1979, Mr. Wells is in charge of the government's strategy and overall planning of the day-to-day operation of the Legislature.

Mr. Wells is married and lives with his wife and three children in Scarborough. He is an elder of St. John's United Church in Agincourt and he is affiliated with several clubs in Toronto including, I am pleased to say, The Empire Club of Canada of which he is a member of long standing.

Ladies and gentlemen, it is my great pleasure to invite the Honourable Thomas L. Wells to share with us his views on how we can best hang together as a nation after the new constitution comes home.

MR. WELLS:

Mr. Chairman: When I was seventeen years old, I did two things: I joined a political party and I took part in a public speaking contest.

Today, I still belong to the same political party and I guess that because I won the public speaking contest, I am before you today, still practising public speaking. As a matter of fact, one of the prizes I received for winning the contest in 1948 was a volume of Empire Club addresses for 1945-46. I still have that volume and as I looked through it the other evening I came across these words from an address by Ontario's premier, George Drew:

> We have presented our proposals, with the acceptance of the basic principle that while each provincial government owes its primary responsibility to the people of its own province, the welfare and prosperity of the people of all provinces depend upon the strength and vigour of the whole nation. That, gentlemen, is I believe the best way to make sure of a strong Canada within a strong and united British Empire.

That was January 8, 1946. This is February 18, 1982. We all know how time flies . . . how fast the years can go by.

Think of this: do you think that Canada will exist as an Atlantic to Pacific nation on February 18, 1992? Probably your answer is "yes." So is mine. But let me tell you, it is not a sure thing.

In the last couple of years, all Canadians have had enough talk about nationhood and the constitution to last a lifetime. For many people, the constitutional issues have been confusing at best, incomprehensible at worst — and rather trying on the patience at all times.

But very soon, the British Parliament will enact a bill (it received second reading last night, as you know) that will become the constitution of Canada. This new Canadian constitution consists mainly of: the BNA Act which was enacted in England in 1867 when Canada became a nation; amendments to the BNA Act which have been passed through the years; and a variety of new provisions that were finally agreed to at the First Ministers Conference last November. Specifically, those provisions include a Char-

The Honourable Thomas L. Wells,
Minister of Governmental Affairs and
Government House Leader, Province of Ontario

ter of Rights and Freedoms, a formula by which the constitution can be amended in the future here in Canada, a section guaranteeing equalization payments, whereby the "have" provinces assist the "have-not" provinces, and a section on natural resources which clarifies the future of the federal and provincial governments with respect to non-renewable natural resources like oil and gas, and electrical energy and forest resources.

The other day, a friend of mine who knows very little about the constitution and its patriation said, "we won't have a Queen after patriation, will we?"

It occurred to me that this misunderstanding may well be a result of such pre-patriation comments as "It will mark Canada's full independence"; "It terminates the power of the British Parliament over Canada"; "It is the final break with our colonial past" and so forth.

What in fact is being done, as I mentioned before, is that some new sections are being added to our so-called "old" constitution, the BNA Act. It will not change our relationship to the monarchy. Sir John A. Macdonald made this point very clearly during the Confederation debates in February 1865, when the BNA Act was being developed: "So far as we can legislate, we provide that, for all time to come, the Sovereign of Great Britain shall be the Sovereign of British North America."

The monarchy is an institution which continues to generate feelings of reverence and allegiance and serves as a genuine inspiration to Canadians. I want to assure you that *we will have a Queen* after patriation; that in fact her existing position and that of her representatives in Canada will remain unaltered, which of course is as it should be.

We are going to have some celebrations in Canada, because this is a major milestone in the history of our country. It is, however, neither the beginning nor the end of our efforts to strengthen Canada — one country, glorious and free, sea to sea.

If the truth be known, it is actually more a *beginning* than an end. Because when all is said and done, we still face the real possibility of Quebec separating from Canada — constitution or no constitution.

As the *Toronto Star* said in a lead editorial last Tuesday entitled "Separatism Looms Anew":

> If the PQ is re-elected for a third term with more than fifty per cent of the vote, the government will assume it has the right to declare Quebec independent, delegates to the party's biennial congress decided on the weekend. And even if the PQ wins with fewer than half the votes cast, the party will nonetheless claim a mandate to hold a referendum on independence. It's a heads-we-win, tails-you-lose gambit.

It's ironic, not to say frustrating and disappointing. You remember the Quebec Referendum. One week after the whole country breathed a sigh of relief over the outcome, all governments across Canada set into motion a series of events which would demonstrate to Canada and Quebec — once and for all — that *all* Canadians meant what they said: that a "no" vote would not just reaffirm the *status quo.* We were going to show our fellow citizens from Quebec that we were not kidding about our commitment to them in the Canadian Confederation.

And so we launched into what soon will have been a two-year period of constitution-making.

As one who participated from the start, it seemed that it would never end. And it seemed that we would never come to any kind of meaningful agreements. But in the end — last November, under very intense political pressures — *some* agreements were hammered out between nine provinces and the federal government that allowed Canada to go to the British Parliament to request passage of a package that would permit us to lay claim, finally, to a renewed Canadian constitution.

But who is the odd man out? Quebec! The very province we were jointly trying to accommodate is isolated yet again. Isolated by choice of Mr. Lévesque and his Parti Québécois government, to be sure — but isolated nonetheless.

What a frustrating chain of events, you might say. Through the constitutional exercise, we have aroused the parochial and regional feelings of the west and the east, on issues ranging from oil and gas to fishing rights. We have confused and perhaps even disillusioned average Canadians everywhere, who could be forgiven for thinking that we would have been better off solving things like unemployment and inflation, rather than worrying about constitutions. And we have left the very *target* of the whole exercise — the Province of Quebec (or at least its government) — feeling isolated out in left field.

So what now?

I will put it to you straight. Our efforts to keep Quebec and Quebecers as an integral part of Canada must continue. Our new Canadian constitution will give us something fresh to build on. You and I cannot afford to throw up our hands in despair and say that Quebec will never be satisfied, or as some others are quick to say "Let them go." The name of the game is continued compromise and working together.

I'll tell you why in the bluntest terms I know. If the day ever comes when the people of Quebec decide that they want to separate from Canada, then we can kiss Canada goodbye. The separation of Quebec would be the first step in a slow-moving yet real chain-reaction that could fragment forever this northern half of our continent.

None of us would likely see the end results of this chain reaction in our lifetimes. But I am firmly convinced that — just as provinces joined Canada one at a time after the country's formation in 1867 — we would run a high risk of seeing, over the course of time, the step-by-step *breakup* of the country if one province like Quebec decided to opt out.

Is that too dramatic? I don't think so. I am more convinced than ever that all Canadians — you, and I, and the governments who we elect to represent us — must recognize the situation for what it is. This is no time to throw our hands up in despair. It is a time to bear down, as we have done so often before, and do what we can to make sure that our friends in Quebec stay with Canada and Canada stays a united country.

By this I don't mean giving in to every demand of René Lévesque and his separatists. I do mean, however, that we must continue to be conciliatory and accommodating, with the end being to demonstrate, as best we can, the mutual advantages to all concerned of maintaining a strong Canadian nation.

Many of you have had the good fortune, as I have, of visiting western Europe — travelling through countries like Switzerland and Germany and France and Belgium — and being able to witness first-hand the interaction of various language groups. We have seen the development of the European Community with its multilingual bodies like the European Parliament.

These are a vivid reminder of the healthy diversity which is present when differing linguistic and cultural groups exist shoulder to shoulder, sometimes, though not always, divided by political boundaries. So too they are a reminder of the potential which exists in such situations for rivalry, even distrust and animosity. Everyone with any social sensitivity at all has observed these things in travel abroad.

And it is natural to let our thoughts return home to North America, where on so huge a land mass we are blessed with a sense of stability and common interest that comes from the fact that we have only two international boundaries dividing our political jurisdictions.

Here in Canada, just as in Europe and elsewhere in the world, we have a built-in diversity arising from language and cultural differences. It is a diversity which can and does enrich the lives of those who are able, and I should say willing, to experience the interaction in positive ways. It is a diversity which has the potential for animosity and divisiveness. We have some experience in this regard.

But it is also a diversity worth preserving. It is a diversity worth preserving in its own right. And it is a diversity worth preserving for *defensive* reasons as well — as a very important key to keeping Canada as one, well into the future.

Robert Stanfield is a man who, I always felt, would have been an outstanding Prime Minister of Canada. A few years ago in a speech in New Brunswick, he gave more evidence of this, with a thoughtful analysis of some of the choices which now lie before English-speaking Canadians. Among other things, he said:

> Accommodations must be reached. They are not likely to be reached if a substantial proportion of anglophones believe that Canada is basically an English-speaking country outside of Quebec — that it would have remained so if politicians had not stirred up the French, and could be restored to such if only politicians would stop catering to the French."

So here we are, a few days before our long-sought-after constitution becomes a reality, with a feeling among many Canadians that, finally, we may have a period of calm. But here I stand, telling you that, in many respects, things haven't changed at all. As far as Quebec is concerned, we have to keep doing more of the same — more give-and-take, more patience, more willingness to demonstrate an understanding of the concerns and hopes which have been emanating from the Province of Quebec since 1867 and earlier.

There is no doubt that the Parti Québécois is now firmly committed to Quebec independence which sometimes makes it difficult to keep our thinking straight. But through all of the noise which arises from the PQ, let us remember that there are many French-speaking Quebecers who remain strongly committed to Canada.

However, we know they continue to have some very legitimate expectations. Essentially, what these boil down to is one simple, but fundamental request. It is that English-speaking Canada demonstrate its acceptance of the French fact in Canada, of the fact that more than *one out of four* Canadian citizens have French as their mother tongue. We are being asked, very simply and very sincerely, to acknowledge that Canada is officially a bilingual country and that the francophone minority has special needs to ensure the survival of its language and culture. In terms of attitudes, this seems to me to involve two things: a sense of security and a sense of respect. *Because they are a minority, francophones in Canada constantly need tangible evidence of our sensitivity and awareness in this regard.*

As the social and cultural homeland of the vast majority of French-speaking Canadians, we are also asked to recognize that Quebec has its own special responsibility and therefore may have particular requirements that other provinces do not. Too often, we have found ourselves hung up on a phrase such as "special status" or "dualism" or something else. What we have to ensure is that Canadian federalism is flexible and supple enough to accommodate Quebec and the special characteristics of other regions also. When we stop to think about it, several provinces, including Manitoba, Newfoundland, Prince Edward Island, as well as Quebec, already have some degree of special status based on the terms under which they entered Confederation.

Quebecers, and I mean federalist Quebecers, clearly have a legitimate case that continues to require our consideration, and personally I see nothing to be frightened of. The Canadian dimension includes as part of itself the Quebec dimension. Without it, we would never have come into being as a nation. And it remains today as an essential part of our Canadian identity, to ourselves and to the world. An important aspect of this dimension today as in the past is, of course, language policy. Listen to what a distinguished Canadian said to this club about this:

> Now, to those, and I don't think they are numerous, who keep on talking about what they think would be the gain to Canada by the elimination of the second official language, I have only this to say, that they are whittling at the foundation of Confederation, because apart from that section of the British North America Act there would have been no Confederation, and without it today Confederation would not have survived.

That was part of an address to this club on April 4, 1946 by the Honourable Donald M. Fleming, who of course later became Canada's Minister of Finance.

The Province of Ontario — its government and its individual citizens — have a special responsibility in all of this. As the most populous province — and as the province that is, so to speak, at the very core of Confederation — we must show maturity and leadership. We must show the way.

I know that many of our citizens have grown weary of hearing it said, but our responsibility and challenge is to demonstrate continually to the people of Quebec, in a whole variety of ways, that we accept and understand their feelings and aspirations, and that we are able and willing to continue to listen and react to those feelings in tangible ways.

It is not a simple thing to achieve, to get that message through to the *people* of Quebec, as distinct from the PQ government. At Queen's Park, we have spent more time than I care to remember trying to come up with ways to get the message through.

Sometimes you feel that it is futile — that no matter what you do, it never seems to be enough, or worse, that nobody seems to really care. But down deep, you know that it is the only answer, the only long-term hope.

So you keep going, a step at a time, doing what you can — and, surprisingly, seeing some payoffs not only from Quebec but also right here in our own home province and down east and across the west.

For ourselves, we must never forget that, with more than half a million Franco-Ontarians, we have almost as many French-speaking residents in Ontario as the total populations of provinces like New Brunswick and Newfoundland. In truth, we can look back with real pride over the past ten or fifteen years in Ontario, to see what tremendous strides have been taken in the area of services for our French-speaking residents, strides which have been, in themselves, a major benefit to all the people of our own province, and strides which have demonstrated to people elsewhere in Canada that Ontario is able and willing to show the kind of Canada-first leadership that is so badly needed.

From next to nothing, we built a thriving French-language secondary school system that now serves over 30,000 francophone young people all across the province. This, of course, is in addition to the 74,000 pupils receiving their instruction in French at the elementary school level.

We have seen a steady increase in the numbers of English-speaking elementary school children who are at last getting a real chance to begin to learn French as a second language at a level that will enable them to grow with the language in a way that will be meaningful and lasting.

In the last few years, we have built a capacity to provide a range of French language services in virtually all of the offices of the Ontario government in those areas of the province where the bulk of French-speaking Ontarians reside.

Since 1979 there has been a guaranteed right for anyone in the province to a criminal trial in French. As of April 1982, the civil courts in Metropolitan Toronto and the francophone regions of the province will be able to operate in both languages.

This is the foundation, carefully and firmly built primarily over the past fifteen years, upon which we shall continue to expand, as before, steadily and without diversion.

Our prime motivation shall continue to be the justice of providing more and better services for our French-speaking population of Ontario and for all the people of Ontario — for I believe it would be an error to proceed as if our every action were in response and reaction to the Parti Québécois. Such has never been the case in the past, and I suggest that it should not be so in the future.

That said, however, all of us must be acutely aware, in this present environment, that our actions and our words can be, and often are, taken as signs of intent and commitment, particularly throughout French-speaking Canada.

Personally, I strongly believe that what we do in Ontario will ultimately have a major bearing on the long term political outcome in Quebec.

Still, as I said earlier, it is sometimes very frustrating. Even Premier Lévesque, while reading a Council of Ministers of Education report on French language education in Canada, told us that he was surprised to find out how much Ontario had done in the area of French-language education services.

Here we say that the signals that go beaming into Quebec from Ontario will ultimately reach the people of Quebec — yet we run up against these situations where people who ought to know the realities of Ontario *don't* know. What real hope is there for reaching the average Quebecer — the men and women who can do their own thinking, who have their own views of Canada, who will continue to support federalism (and oppose separation) — if there is no evidence that the rest of Canada cares.

I think we *can* get the message across and it must be done through person-to-person, community-to-community, business-to-business contacts. It won't get through by government-to-government interaction only. But Canadians from Ontario and the rest of Canada, visiting Quebec and doing business in that province, writing to their friends and relatives, *can* get that message across.

And what is that message? It is that we are concerned, we care, we want them to stay as part of Canada. Tell them that we in Ontario want to welcome them as neighbours in our province and to make them feel at home here. And tell them we *do* care about keeping Canada united. Let's not fall into the trap of doing nothing in Ontario, even when our conscience tells us we really should, just because we think that there is no way of getting this message through to Quebecers.

The challenge of attitudes, understanding and commitment, however, not only involves individual Canadians, but also their governments. We have a right to expect all our governments to make our federal system work effectively, to seek consensus, and to accept compromise.

We will work with the present government of Quebec. We will rebuild the bridges between our two provinces. In our mind, there is no reason that the historical relationship established during the years between Ontario and Quebec by men like Mercier and Mowat, Taschereau and Ferguson, Duplessis and

Frost, Johnson and Robarts, Bourassa and Davis cannot still exist. For our part, we will participate.

What we ask is that the Quebec government — as a government that was solidly re-elected last year on a good government platform — drop its reticence to take part in federal-provincial and interprovincial meetings and act like a strong provincial government within the Canadian federal system.

I hope that the Quebec government will take part in federal-provincial and interprovincial meetings; that individual ministers and ministries will work together in areas such as tourism, labour, educational exchanges, for the mutual good of the people of both provinces; that there be genuine government-to-government communication.

I began these remarks by asking the question "Do you think that Canada will exist on February 18, 1992?" I hope by now we are all convinced that our answer must be "yes."

There is so much at stake. So many sacrifices have been made. The future can be so bright.

But here and now the challenge rests with us and the call is for a real commitment on the part of each one of us — a commitment to Canada, to what it stands for and to what it can be, a great, united country with an unlimited future. I believe this commitment is worth it.

Do you?

The thanks of the club were expressed to Mr. Wells by Walter Pitman, a Director of The Empire Club of Canada.

FEBRUARY 25, 1982

Canada/U.S. Relations: 1982

AN ADDRESS BY The Honourable
Paul H. Robinson, Jr.,
AMBASSADOR OF THE UNITED STATES OF AMERICA TO CANADA

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: The undefended border between Canada and the United States of America, stretching for over five thousand miles, has stood for well over a century as a symbol of the unique friendship between two proud and free neighbouring nations. It is a friendship that has deep roots nurtured by the sharing of common values from the past and common aspirations for the future. It is a friendship that has an important lesson to teach to the rest of the world.

But friends and neighbours are not immune from periodic irritations and differences of opinion. Good friends, however, know how to resolve their differences. They can discuss them with utmost frankness and in a spirit of goodwill to reach agreements which are mutually beneficial.

Today The Empire Club of Canada is honoured and privileged to welcome as its guest speaker a distinguished American who, as his country's chief representative in Canada, will undoubtedly play a leading role in the resolution of some of our differences and in the strengthening of our friendship.

His Excellency the Honourable Paul H. Robinson, Jr. was nominated to be the United States Ambassador to Canada by President Ronald Reagan in June 1981 and he arrived in Ottawa a month later. His ties with Canada, however, go much deeper. His ancestry is Canadian. His great-great-grandparents and his grandparents on his father's side of the family were Canadian citizens from the Kingston area. His great-grandfather, Hugh Heron, moved his family after the Civil War to Chicago where he was a publisher and where he was fortunate to have his business survive the great fire of 1871.

But Ambassador Robinson's association with Canada is much more recent. During 1953-1955 he saw active service in the Korean War as a commissioned officer in the United States Navy. During that period of service his ship operated in Korean waters with destroyer units of the Royal Canadian Navy.

He and his wife and daughter have also been frequent visitors to Canada over the years for both business and pleasure.

Following his service in the United States Navy, Ambassador Robinson founded and served as President of Robinson Incorporated, a firm of specialist brokers in group insurance and mutual funds. He developed two additional firms in the 1970s and his companies have offices in five U.S. cities and in London, England, with representation in Australia and New Zealand.

In addition to managing his business enterprises, Ambassador Robinson has served on the executive board of the Chicago Council of the Boy Scouts of America. He is a member of the U.S. Chamber of Commerce and he maintains memberships in several clubs in Chicago and Washington.

Ladies and gentlemen, it is my great privilege to welcome, on your behalf, His Excellency the Honourable Paul H. Robinson, Jr. to this historic club and to invite him to share with us his views on Canada-United States relations.

AMBASSADOR ROBINSON:

Mr. Chairman, distinguished guests at the head table, fellow North Americans, ladies and gentlemen: It's a great pleasure to see so many people here today. I would like to read to you the first sentence of the flyer that announced my attendance at this luncheon. It says, "In the U.S. tradition of government appointments, Ambassador Robinson had no previous diplomatic or government service when he took office in Ottawa." With that statement as an opening, it's very good to see so many people here today. As the General pointed out in his introduction, I have founded six businesses in four countries; I can assure you that requires some diplomacy.

In fact, having been in my post for seven months, I am a little surprised to find many similarities between business and diplomacy. There are different pieces on the board, but there are always pieces on the board. As a broker I see great similarities in what I am doing on behalf of my country in Canada and what I did in business. I think the principal differences are that the State Department is run more on military lines, or should I say quasi-military. My naval service helps me in that respect. Also half of what I read is secret or top secret and has nothing directly to do with Canada but with the world situation. It does help to have a good understanding of geography. Outside of those two differences, the similarities between business and diplomatic work are remarkable.

The General also mentioned that my predecessors came from the Kingston area. They emigrated to Chicago, which was a sort of United Empire Loyalists in reverse. But they were always loyal to the Crown. That feeling was passed down through my grandmother and my father and it is with me today. Therefore perhaps it is appropriate that I speak to you today as your guest speaker at the Empire Club.

It is a distinct honour for one to represent the President of the United States in this great and kindred nation. I was pleased when Presidential Counselor Meese, in reviewing the first year of the Reagan Administration, said that one of the accomplishments of the administration was improved relations with Canada. I çan tell you that the process is ongoing and that there is a great deal of truth to it. We are communicating more with each other, and that's the beginning of a greater understanding of our differences.

I think John Kennedy best summarized the relationship between our two countries when twenty years ago he said, "Geography has made us neighbours, history has made us friends, economics has made us partners, and necessity has made us allies." We have, in addition to the common heritage of blood, as in my own case, many other areas of common agreement — law, language, literature and a representative form of government. Perhaps that is the greatest element in our mutual and common belief. Freedom and democracy, without question, are our greatest and most prized common possessions.

We are best trading partners. Canada ships forty-one billion dollars worth of goods to the United States each year and we ship thirty-six billion dollars worth of goods to Canada. There are twenty-three million trips taken by Canadians to the United States each year. There are twenty-four million Canadians, so that's a pretty close tie. And we have 5,500 miles of unguarded frontier. This unguarded frontier is the envy of the world.

In my brief tenure in Ottawa I have been with the President and the Prime Minister on three occasions during bilateral meetings. I am pleased to report to you that the two men get along very well as men. They disagree from time to time but they get along very well as men. It's important to report that, because it affects our relationship with each other. It certainly makes my job easier. There have been times during the Diefenbaker/Kennedy and the Nixon/Trudeau periods when the relations were cool. This condition pervades the work of diplomacy in a very negative way. I am glad to say that it does not exist today.

Since coming to Canada we have set up what's called a Joint Consultative Group. The two permanent members are Allan Gotlieb, the Canadian Ambassador to the United States, and myself. There are two or three members from each country who attend meetings depending on the issue. It's an extremely important group, because we are able to head off developing problems by consultation before they become acute. Since this is a two-way street, we are also able to consider matters which previously had been considered closed. It's an open discussion, which we have needed for some time, and it's functioning well.

None of this is to say that we do not have serious problems between ourselves. There is no question that our greatest concern in our dealings with Canada is with the National Energy Program. To be specific, our quarrel is with the retroactive aspect of this program. We don't in any sense oppose the important concept of Canadianization. Indeed, as an American nationalist of Canadian ancestry, I can understand it. What we do disagree with is the method. Without being too technical, we disagree with the retroactive aspect, which amounts to changing the rules of the game in the middle of play. It's completely inconsistent with traditional United States-Canadian relations.

Let me try to explain it to you. If a foreign oil company or developing company were to make an important discovery on Crown lands, it would have to give up to the federal government twenty-five per cent of the asset value of that discovery in return for a

Left to right: BGen. S.F. Andrunyk,
the Honourable Paul Robinson, U.S. Ambassador to Canada,
Dr. James A. Parish and Patrick Lavelle

very small *ex gratia* payment of something less than one per cent of its value. In addition, the company must sell another twenty-five per cent to a Canadian-controlled company, presumably at a fair market value which would bear a closer resemblance to the actual value of the find. If further development were to take place the company would again give up half its ownership if it made a major discovery. The latter proposition is acceptable because if you know the rules of the game before you start, then you can't complain. Our objection, then, is when the rules of the game are changed in the middle of play. That's the retroactive aspect of the program that specifically says that we played under one set of rules but we'll now take an additional twenty-five per cent without paying for it, as of the date of the announcement of the National Energy Program in October 1980. So we ceaselessly discuss this matter with our Canadian friends and I would hope that at some point we will be able to get mitigation of this aspect of the National Energy Program.

You have heard of the Foreign Investment Review Agency. We have taken Canada to GATT for the first time in twenty years; it's not something we do very often. We are concerned with the bureaucratic growth of this agency. We don't see anything wrong with your country requiring companies to bring significant benefit to Canada. But in its seven years of bureaucratic growth, this agency has actually been acting in restraint of trade. We must resolve this matter. I think we can. In any event, it's heartening to know that the November budget indicated that the agency would not be expanded as previously announced and that it would come under review. The budget also indicated that the National Energy Program would not be expanded to other sectors with which we are in agreement.

The Alaska Natural Gas Transportation System, or pipeline, is a matter of great interest to both countries. The cost of this project is something over forty billion dollars. It is hard to imagine any non-military project which would cost that much money, but that's the current estimate. In fact, some estimates go as high as forty-three million. It's good for both countries. It will allow the United States to bring its natural gas down from Alaska to the lower forty-eight, and it is generous of Canada to allow use of Canadian lands to do that. It's important to us not only from the standpoint of energy self-sufficiency but from the standpoint of national security. The administration took the first step and passed a seven-waiver package to the Congress in December. That took a great deal of political clout. It wasn't quite as difficult as the AWACS, but it was still a hard thing to put through. And we did it.

The other half is only the small matter of getting forty billion dollars to build it. I discussed it with the

Bank of America two weeks ago and later with ARCO. I go to New York on Monday and Tuesday where I'll be seeing the other three sponsoring banks. If I were asked to give a percentage figure I would say that the chances are better than even that we'll build the pipeline. But I don't want to say that it's a certainty, and that's why I am involving myself with it. In a sense, if you want to look at this from the standpoint of Canadian history it's almost like building the CPR. It will help develop Canada's northwest as well as Alaska, and for that reason, Canada has an interest in it too. I pledge to you that we in the administration will make every effort to get private financing for this very important project. We will co-operate in all respects with banking interests in Canada and in the United States to make this investment on the part of American industry and banking as palatable, as fair and as good as possible, so that we can complete the pipeline.

We are under attack by people in Canada and conservation groups in both countries on acid rain. I have been involved with this. In fact, there was a meeting yesterday in Washington, where an agenda was agreed upon. This is the third meeting we have had on acid rain. The first one in June was unsuccessful because the two negotiating teams didn't get along. The second one was in Ottawa in early November. I met everybody on both sides, and they were optimistic. As long as we are working together towards negotiating a treaty or an executive agreement we are taking the right steps.

We feel acid rain is a joint problem. Fifty per cent of the acid rain that falls on Canada is generated in the United States or you could put it another way; fifty per cent is generated in Canada. It is a joint problem we are taking steps to rectify. We are going to have to devote billions of dollars from each country to solve this problem. We, in the United States, feel that we really do need more scientific evidence on what acid rain is and how we can best stop it. This is not a stall. We must have more scientific evidence, and I am confident we will have it.

The Great Lakes Water Quality Agreement, which was signed in 1972 after three years of negotiation and scientific study, is a good example of what can be done. It's been extremely successful. So we have a precedent of working with Canada which we certainly intend to continue.

You may recall that a year ago, the President came to Ottawa on his first visit to a foreign country after his inauguration. Before he did so, he split off the boundaries issue from the Fisheries Treaty because he knew that otherwise the boundary side would not get through the Senate. I can assure you it would not have. It's not just because of the objections by a group of New England senators, but because other people have felt that we gave away the store. Whether we did or not I cannot say, because I was not involved in any of the negotiations. As a result of the split, the Boundary Treaty went through the Senate by a vote of 97 to 9. It has been approved by the Canadian Cabinet and is now at the World Court in the Hague. The fisheries side is another issue, and it is going to take some time before we can meet all of Canada's objections. The New England Fisheries Council has a new management plan which meets the former Canadian objections half way. This is not the final end of this argument, but it is a step in the right direction.

The ongoing negotiations between the government of Canada and the New England Fisheries Council hopefully will produce the basis of a treaty, or at least an agreement that will be in the interests of both Canadian and United States fisheries. I might mention that the west coast Albacore Tuna Treaty was concluded in July, and was eminently reasonable in my view. Both sides are happy with it. So we do make progress, even on the fisheries side.

In all of these negotiations and bilateral discussions I feel that my personal job is to keep the lines open and the lid on. We often have a great number of problems with people speculating on the difference between our two countries when in fact those differences aren't all that great. Headlines sometimes don't follow copy and copy doesn't always follow what was said.

Canada is our closest NATO ally. We share together the common defence not only in NATO but for the North American continent. For twenty years, the Soviet Union has embarked on an unparalleled military buildup which bears no relationship to legitimate needs for defence in the world today. Moreover, the Soviet use of Cuban and East German surrogates in Africa and the brutal invasion of Afghanistan have given rise to considerable alarm in the free nations of the West. This necessitates a re-evaluation of our position in light of the worldwide strength of the Soviet Union today. In describing his plans for defence expenditures of $180 billion over the next five years to upgrade forces to meet this threat, the President said recently: "It is my hope that this program will prevent our adversaries from making the mistake others have made and deeply regretted in the past, the mistake of underestimating the resolve and the will of the American people to keep their freedom and to protect their homeland and allies."

What are the trends in the world today? In the last ten years, United States expenditures for arms appropriations were reduced by twenty per cent while the Soviets increased theirs by fifty per cent. The net difference is $270 billion of greater expenditure on defence by the Russians than by the United States.

What is the balance of forces? Let me give you some ratios. In tactical air groups there are twice as many Russian as United States groups. When you add the NATO and Warsaw Pact forces respectively these ratios remain the same. In submarines, the Soviets have 370 ocean-going fleet submarines. That's three times what the United States has. In artillery, the Russians have 20,000 field pieces. That's four times what we have. In tanks the Soviets have 50,000, which is five times that of the United States. In summary, then, it's two to one in tactical air groups, three to one in submarines, four to one in artillery, and five to one in tanks. These, ladies and gentlemen, are sombre facts. But facts they are. I think it is right for me to bring this to your attention, particularly as a representative of your close NATO ally and friend.

The NATO Alliance has agreed to increase defence spending in real terms, three per cent per year, but three per cent of nothing is nothing. Canada is below three per cent as a percentage of gross national product. The United States is currently spending 5.6 per cent of GNP towards national defence and increasing it to 7.5 per cent. Great Britain, for example, is at 5.2 per cent while Canada is in fact under two per cent. I might add that in the last twenty years the Soviet Union has been averaging twelve to fourteen per cent of their GNP towards defence. We were gratified to see an increase in Canadian defence spending in the November budget of eighteen per cent in each of the next two years.

There is even more to be done. I was aboard Canadian destroyers recently. I can tell you that the officers and men are first-rate, as they always have been. The ships which I was aboard were Tribal Class and were also first-rate, but the other sixteen Canadian destroyers are steam driven. You have read about their boiler problems and how serious those have been. The sixteen steam driven ships are obsolete now. By the time the six new frigates are built, if in fact they are built, in 1987, that will leave you with only ten ships — the six new ones and four Tribal Class which by then will be three-quarters of the way through their normal life. So, in all frankness, there is a great deal to be done to guarantee your own sovereignty as well as to meet our joint requirement of defending the North American continent.

When we think of Canada's part in defence, we Americans remember that you were in both world wars before we were. No one is pointing an accusing finger at Canadians or Canada. It's just that we want to try to help wake up the Canadian people to the seriousness of the defence situation today. When we think of Canada's part in world history we think of Ypres, the Somme, the Vimy Ridge, the North Atlantic, Dieppe and Normandy. We know we can count on Canada when the chips are down. We just say that you must become more fully aware that this situation exists.

I want to tell you of a great experience I had since coming to Ottawa. I went to the dedication of the Ford Museum in Grand Rapids and flew back with the Prime Minister. I was in his limousine when we went from the hotel to the airport. The maple leaf flag was flying on his limousine, and it was a wonderful thing to see the American people smiling and waving frantically at the Prime Minister and at the Canadian flag. It was a very moving experience. As we drove towards the airport, a young man who was standing with his wife, saluted the Canadian flag. I thought that was very appropriate.

A few months later, during my visit to Winnipeg, I was travelling in my car with the American flag flying. The traffic slowed and a great many young people and children, some of them in the back seats of cars ahead of my car were waving at me and the American flag. It was the same reaction of the people I had seen Americans give to the Canadian flag. One young man, about the age of twenty-five, stood and saluted the United States flag as I drove by. I was greatly moved by that gesture. I think that this is an example of our respect, regard and affection for each other and this is appropriate to pass on to you today.

Finally, I would like to say that in my tenure as the United States Ambassador to Canada, I will always state the United States position as clearly and concisely as possible in the spirit of fair play and good will that has actuated our relationship for over 150 years. I am sure that I can count on Canada to do the same.

The thanks of the club were expressed to Ambassador Robinson by H. Allan Leal, Q.C., a Past President of The Empire Club of Canada.

MARCH 4, 1982

Why Pay Twice? The Cost of Double Government

AN ADDRESS BY W. Darcy McKeough,
PRESIDENT,
UNION GAS LIMITED

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: Our guest speaker today is no stranger to an Empire Club audience.

Mr. Darcy McKeough first appeared at our luncheon table on March 20, 1969 when, as a young thirty-six-year-old Minister of Municipal Affairs in the Robarts cabinet, he spoke on municipal reform. It was during his ministry that municipalities were modernized to keep up with changing times and much of the success of that modernization was directly attributed to Mr. McKeough.

His second address was on November 22, 1973 when, as Minister of Energy, he spoke of the importance of energy sharing in Canada.

His third visit to our club was on April 13, 1978 when, as Treasurer of Ontario and the Minister of Economics and Intergovernmental Affairs, he spoke on the prescriptions for a post-control Canada. The condition of the patient today suggests that his prescription was not followed.

During his political career which spanned fifteen years between 1963 and 1978, Mr. McKeough gained a reputation for his courage in making the correct, if politically difficult, decisions. He was renowned for his energy and efficiency and for his frankness in dealing with his colleagues and the public. It is not surprising, therefore, that on his resignation from the government these very qualities would lead him into business and his appointment as the President and Chief Executive Officer of Union Gas Limited in October 1979, a year after leaving politics.

Mr. McKeough's abounding energy is evident from his active association with his church, and (following in the footsteps of his ancestors) with the Chatham City Council, with Ridley College which he attended, and with the Stratford Shakespearean Festival, the Trilateral Commission, and the Chatham Jaycees.

It is indeed a distinct pleasure for me to once again welcome Mr. Darcy McKeough to this historic club to speak to us under the title, "Why Pay Twice? The Cost of Double Government."

MR. MCKEOUGH:

Mr. Chairman: This is the fourth time I have had the honour of speaking to the Empire Club. It provides me with further proof that as time marches on and circumstances change, there are certain recurring themes in life and society.

When I came here first in 1969, I talked about "The Agenda for Local Government Reform" — an earlier version, at the provincial municipal level, of a kind of constitutional change. In 1973, my topic was "Energy and Government." I could talk about that today, though from the opposite end of the spectrum. Then in 1978 I came to you with "Prescriptions for Post-Control Canada." I have an ominous feeling that I could justifiably have offered you today a "Prescription for Pre-Control Canada" — but I'm not going to do it. Maybe we won't get controls and I could therefore be wrong, and it's a well known fact that Empire Club speakers are not permitted to be wrong.

One thing has changed from my earlier appearances. In all of them I spoke in an official capacity as the minister of a government department with direct responsibility for the matters I was dealing with. Today I am speaking to you simply as a citizen, a taxpayer and as, I emphasize, a very retired politician. I'm going to talk about the way the affairs of Canadians are handled or mishandled within an antiquated government structure, and about how that structure might be altered by the re-allocation of responsibilities.

It is my conviction that there are ways to reduce total government expenditures. I want to talk about one of them. I'll take the next twenty minutes or so to elaborate on my basic message. The message itself is simple and brief. It is this: with a few exceptions, every responsibility currently held at the federal and provincial levels would be handled better, more efficiently, more effectively, more economically and with greater accountability if it were handled by one or the other level, rather than by being shared, or even worse, competed over, by the two levels.

We now have eleven departments of labour, eleven departments of agriculture, eleven of industry, eleven of corrections, and the list goes on. In almost every case, we need either one department, with its head office in Ottawa, or ten, one in each of the provinces. We do not need eleven. We must get away from the confusion, the cross purposes, the waste and the sheer ineffectiveness that comes from having eleven.

The topic is particularly pertinent now because we are in a new constitutional era. This is a time when we can try, in a serious and confident way, to deal with the issue of the division of power. It is sometimes called the process of "disentanglement," to use a rather awkward sounding word much favoured by Mr. Ian Macdonald, your past president and my former deputy minister.

Your speaker two weeks ago was my former colleague, the Honourable Thomas Wells, who is also my successor as Minister of Intergovernmental Affairs. He talked about the aftermath of patriation and he very wisely noted that while patriation is a major milestone in our history, it is not the end of anything. It is much more a beginning.

When I was younger I had the view, common in some places and particularly in Southern Ontario, that good government is central government. As a provincial legislator and minister, I moved towards regionalism though always, I think, with a national perspective. I would like to feel now that I have progressed beyond centralization, beyond regionalism, to rationalism. I can see more clearly what public matters should be centralized and which regionalized. I believe I can offer some justifications for such moves. I hope I have grown beyond the emotional and sentimental factors that made centralism or regionalism attractive to me in the past.

Rationality on this subject may or may not be a good thing. Reorganizing and re-allocating the responsibilities of government in Canada are not just rational exercises. There are emotional and sentimental factors, not to mention the self-interest, the career implications and the financial repercussions close to the hearts, the pocket books and the power positions of a great array of public servants, elected and appointed.

The Fathers of Confederation, living in a much less complicated era, had a very clear view of the rules and responsibilities of the two senior levels of government. Matters of an essential regional or local concern, including property and civil rights, were allocated to the provinces. Matters of primarily national interest were allocated to the federal government. Revenue raising powers were divided pretty well in parallel with responsibilities.

It is hard to imagine, when you look at today's swollen lists of federal and provincial departments and ministries, that the country started out with a handful of ministers at each level. Ottawa had Justice, Defence, Revenue, Finance, Public Works, Fisheries, Post Master General, Agriculture and Indian Affairs. Ontario Ministries were Attorney General, Treasury, Provincial Secretary, Agriculture, Public Works and Crown Lands — and for the first few years the Premier acted as Attorney General.

Naturally, I wouldn't argue that we could or should have maintained that utopian kind of government organization. But did we need to expand to a point where the eleven senior governments have more than two hundred departments plus a multitude of agencies, boards and commissions? According to the Lambert Report in 1979, there were 165 departments and Crown agencies at the federal level alone. I can't identify any planned or rational basis for the proliferation. It seems to have been a rather disorganized two level response to five basic forces.

The first is the normal adjustment to population growth and to the increased size and complexity of the economy and society.

The second is the desirable development of national standards in such areas as health and welfare.

The third is the laudable desire to compensate for regional inequalities.

The fourth is the compulsion of the federal level, particularly since World War II, to spend its burgeoning revenues, even if that meant invading fields previously not recognized as necessary or previously considered provincial responsibilities.

The fifth is politics — the perceived need of politicians to be seen to be active and progressive; to have their good words visible and recognized by a presumably appreciative public. We saw more than a little of that last Thursday in the Prime Minister's complaint that Ottawa doesn't get credit for all the money it spends on joint programs.

Out of this mixture of demands and ambitions has come our hodge-podge system of government, though system may not be the appropriate word to describe it.

The federal government and some of the provinces have from time to time taken a look at their own structures and patterns of growth and tried to restrain and reform. Success has been limited, though I may perhaps be pardoned for immodestly taking some credit for imposing restraint in Ontario when I was Treasurer. I recall warning in my 1975 budget speech that one of the root causes of inflation at that time was "excessive government spending and unnecessary growth in the size and complexity of the public sector." This had shifted an increasing share of Canada's resources out of private productive uses.

In 1976, the Auditor General for Canada had this to say: "I am deeply concerned that Parliament — and the government — has lost, or is close to losing, effective control of the public purse." Since then the appointment of a Comptroller General may have improved the situation somewhat, but the question of excessive duplication and indeed of superfluous programs, departments and agencies is not being addressed seriously and with enough energy at either the federal or provincial level.

In 1947, the first reasonably normal post-war year, public sector spending in Canada was twenty-four per cent of the economy. Today it's over forty per cent, and if you add the spending of government-owned enterprises, it rises closer to fifty per cent. Public sector employment provides one in five jobs in Canada, and that does not include employment in the publicly-owned enterprises.

Spending in the fifties and sixties was concentrated on the building of Canada's economic and social capital. This has since veered over to redistribution of income through increased transfer payments. The social expenditures, health, education and welfare, have accounted for the greater part of the increase in government spending.

Health, education and welfare in fact account for about half of total government spending and represent about one-fifth of the output of the economy. The growth has been most rapid at the provincial and local levels but the federal influence, through its setting of priorities and through the conditions attached to its transfers, have had the effect, for good or for ill, of levering up provincial and local spending. The large federal financial interest has created a parallel tendency by the federal government to occupy the same fields to some degree and to intervene — some would say interfere — in the provinces' administration of these fields.

Quite apart from that trend, we have seen across the country from federal and provincial politicians and bureaucrats alike a war of one-up-manship. Any gap in service, any vacuum of policy is leaped into fearlessly by one or both levels of government, with resources which could be better used by the private sector being dragged in after them. The result, apart from the waste arising from unnecessary programs, is an increase in overlap, duplication and confusion. One example: nowhere is the confusion greater and the waste and failure more deplorable than in the country's manpower policies and programs. Shortages of essential skills in a time of high unemployment are nothing short of a national disgrace. The average citizen is hard pressed to decide who is at fault, not just on the skills question, but in the whole manpower and employment situation.

In today's highly mobile society, manpower — including post secondary education — should in my view be a federal responsibility. Today's chaotic pattern of funding, administration, interference, cross purposes and acrimony is not serving the public well.

In fields like health, the battle against poverty, and the wide range of social programs, the issues should be rationality, effectiveness and economy — not who pays the money, who spends it and who gets the credit. A single body of taxpayers, after all, provides all of the money.

The present system of transfers has evolved over time, and there have been improvements in the manner of funding and in administration. Nevertheless, any arrangement will falter when one level of government delivers the service but another level pays a substantial part of the costs.

Pensions are probably the most pressing of the emerging social issues in this country. If you find the present tax debate heated, wait till the pension reform debate really gets going.

There is widespread recognition that we need uniformity in pension and related legislation — but there is a competition emerging at the two levels to lead in improvement, and this kind of one-up-manship will ultimately be destructive and unnecessarily expensive.

Both levels are heavily into income supplements through tax grants, tax credits and guaranteed income schemes. Many of these programs could be run more efficiently at one level rather than both.

There is duplication and sometimes conflict in agricultural policy, in environmental protection and in other areas. Competition between regions for location of industry is growing. The result often is uneconomic tax concessions, grants and bonuses. Later on, when the effects of unbusinesslike industry location and expansion decisions work their way through to the bottom line, it sometimes turns out that the industrial competitiveness of the companies on the receiving end of this largesse have gone to the wrong place for the wrong reasons. It is proper to provide incentives to make our industries more competitive in the international market place, but the inter-regional auctions that go on wind up hurting everybody.

Taxpayers don't believe that the public sector in Canada should be competing with itself. I am convinced that they strongly favour an open market for jobs, for products and investment across the country. But an obstacle to this is the unhealthy competition and duplication within government. Governments can't go on forever holding on to and building upon what they have and competing for every new opportunity to tax and spend or, worse still, to spend without taxing. There must be give and take. Rules and responsibilities can be realigned if there is a will to do so and a determination to replace our fixation with the past by a vision of the future.

Let me state principles for rationalizing government operations at the federal and provincial levels:

- The government that spends the money should be responsible for raising it.
- Inter-governmental transfers should be reduced and revenue-raising capacities should be re-aligned.
- Existing programs and responsibilities should be examined and those which overlap should be disentangled.
- Most services to people are best delivered at the provincial or even at the local level.
- There should be equality across the country in the levels of health, education, pensions and other personal benefits, and the regulation of business should also be reasonably uniform.
- The process of equalization of provincial revenues must be maintained and adjusted to reflect realigned provincial responsibilities and revenue-raising capacity. Equalization should be the cornerstone of federalism in Canada.

W. Darcy McKeough, President of Union Gas Limited, with the Honourable Margaret Scrivener, Member of the Provincial Parliament for St. David.

I know my principles are utopian and may even involve some apparent conflicts. I am aware that traditions, personal interest and strong regional feelings are obstacles to the adjustment of the kind of rationality I advocate. I recognize particularly that some provinces, notably Quebec, will have intense objections to a strong federal role in, for example, post-secondary education or in some social services. Still, we have to try, and if necessary we may have to settle for partial solutions, including the kind of opting out that has worked quite well in the case of the Canada Pension Plan.

Well, now for the moment of truth. Principles are fine, but where would I make changes?

At the federal level, clearly, the obvious national functions of defence, immigration, external affairs, the regulation of money and credit and of trade and commerce should stay as they are.

Here are some of the things I think Ottawa should consider getting out of: welfare, other than unemployment insurance; roads; urban transit; agriculture, other than international farm product marketing; food inspection; mineral and energy resources management, other than offshore; housing programs, other than a banking role; programs for the elderly and the disabled, other than pensions; tourism; recreation.

What about health? If the federal government assumes the major role of post-secondary education and manpower training then the provinces, if a fiscal balance is to be achieved, will have to take over one of the major presently shared areas. In my view this area is health.

There will be those who say the health system would suffer. Frankly I doubt very much that the quality of care in a typical hospital in Toronto or Charlottetown benefits from having both a provincial and federal layer of bureaucracy on top of the local board of the hospital. There can be no question accountability suffers and the confused taxpayer is paying more than he should.

If Ottawa were willing to transfer these functions (or some variation of them) to the provinces and if the provinces were enthusiastic about maintaining them, it would be possible to provide service as good or better at less cost, with little expansion of staffs at the provincial level and with a reduction in the numbers of agencies and people at the federal level.

The provinces, on the other hand, should be willing to concentrate on education, welfare, roads, transit, local government and other people-oriented areas. They should consider getting out of the regulation of business and the securities markets, environmental protection (most of the issues here are rapidly becoming national and international in scope), pension regulation, general transportation policies, communications and probably consumer protection.

The artificial split, where provinces regulate businesses that operate only within their boundaries while Ottawa regulates those which operate in more than one province, is archaic and should be done away with. It would make sense for the federal government to oversee the business sector, including capital markets, both to strengthen the national common market and to avoid undue use of the tax system in inter-regional competition. The provinces would have more funds and freedom to meet increased responsibilities in providing services to people. This split would, I feel, result in a more positive environment for business.

Following through on this, it is my view that the provinces should get out of the corporate income tax in return for a bigger share of the personal income tax. Such an adjustment in tax-field occupancy would be a logical reflection of re-aligned functions.

There are areas where jurisdiction should perhaps remain shared. These include fiscal policy, although the federal government has the major levers here; regional development; policing; culture. New mechanisms for co-ordinating activities in areas of mutual responsibility and for establishing acceptable and affordable national standards are needed.

More efficient ways of jointly using public sector manpower and other resources should be examined. For example, regional offices across the country could be shared. One level of government might "contract out" delivery of certain services to another level, or even to the private sector.

In spite of the structural obstacles, the personal interest, the traditional objections, the built-in inertia, the time has come to do something. The public has grown tired of the conflicts, the waste, the confusion, the anachronisms and, above all, of the expense of keeping the present mess in existence or of letting it become even messier.

Let's start with a small task force — call it a royal commission, if necessary, but a group of half a dozen people with some vision, with open minds, with a sense of urgency and with no important stake in the status quo. Let's have them analyse what we now have in the public sector. Let them start with the fact that the present unseemly wrangling over established program financing and equalization stems from the absence of clear divisions of responsibilities between the two levels of government. Let's have them examine the existing division of roles and responsibilities and the opportunities for re-alignment and for disentanglement of functions and programs. Finally, let them make concrete proposals for rationalizing the public sector in Canada.

After the Ocean Ranger tragedy we witnessed a distasteful argument between St. John's and Ottawa over who should conduct an inquiry. The matter was finally settled by an agreement to conduct a joint investigation, but the fact that such an argument could take place in the midst of such a sad occasion was, as columnist Richard Gwyn said, "offensive and downright obscene." Gwyn uses the example as evidence that "We've become the most squabbled-over country in the world. Common sense is a lost cause; our governments long ago cast it aside. Maybe, just maybe, shame, as it did in St. John's, will convince them to shut up, not for our sakes but for the sake of their own self-interest."

The Canadian public knows that the Canada of the 1980s is not the Canada of the 1960s, the 1920s or of 1867. They're prepared for change. They will accept and, indeed, they will enthusiastically embrace change, if it is presented clearly and if they see a co-operative, non-competitive, rational approach from the two senior levels of government. The question is, can the government catch up with the people before the present system collapses of its own weight?

Let me conclude by quoting a significant number. For every percentage point of total public sector spending we manage to cut, we can save well over a billion dollars. And, as the late Senator Everett Dirksen of the United States once said, "A billion here, a billion there, pretty soon it adds up to real money."

The thanks of the club were expressed to Mr. McKeough by A. Carlyle Dunbar, a Director of The Empire Club of Canada.

MARCH 11, 1982

Hydrogen — Will the First Element be the Final Fuel?

AN ADDRESS BY Alexander K. Stuart,
PRESIDENT,
ELECTROLYSER INC.

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: Experts say that hydrogen is the most promising answer to the world's energy needs. It is nearly competitive in price with oil and natural gas; it is adaptable to almost all internal combustion engines, and it is non-polluting. According to some of these experts the age of hydrogen energy could arrive early in the next century, and an international race is on to be first with a technological breakthrough that will make hydrogen cheap to produce and store. At present West Germany is clearly in the lead and the United States is not far behind. Canada, well advanced in the new techniques of converting electrical energy into hydrogen, is also in the race but lagging behind due to lack of research funding.

One of the world's foremost leaders and authorities on hydrogen technology and its applications is our guest speaker today, Mr. Alexander (Sandy) Kyle Stuart.

Sandy Stuart is a native Torontonian. He attended Upper Canada College and after an interruption in his academic pursuits caused by his service in the Royal Canadian Navy during World War II, he entered the

University of Toronto graduating with degrees in chemical engineering and business administration.

Mr. Stuart's father had developed a number of original hydrogen processes and in 1948 father and son founded the Electrolyser Corporation which has offices and a factory in Toronto. This company has become a major manufacturer of industrial hydrogen and oxygen gas plants for world markets, using the process of electrolysis of water. The company has built several hundred installations in over eighty countries and Mr. Stuart has had the experience of doing business on all five continents and under governments of every political complexion.

Based on this background in international trade, Mr. Stuart served two years as chairman of the Canadian Export Association and last month, after several years as a director, he was appointed vice-chairman of the Export Development Corporation — the Crown Corporation which finances and insures Canada's export trade. As an authority on hydrogen technology and its applications, he is Canadian delegate to the hydrogen program of the International Energy Agency in Paris. He will be the chairman of the World Hydrogen Energy Conference when it meets in Toronto in July 1984.

The Electrolyser Corporation has worked with Noranda Mines Limited for several years to develop improved methods for generating hydrogen and oxygen gases from water. Mr. Stuart is the president of the joint company which has emerged, Electrolyser Inc.

Mr. Stuart and his wife Mary Alice, who is chairman of CJRT-FM, have a daughter and three sons. Their sheep farm in the Beaver Valley is a strong family interest. As an enthusiastic conservationist, Mr. Stuart is this year's chairman of the Nature Conservancy of Canada.

Ladies and gentlemen, it is my pleasure to invite Mr. Sandy Stuart to address us on the subject of hydrogen energy.

MR. STUART:

Mr. Chairman: I owe the great honour of this opportunity to speak to the Empire Club on my rather esoteric specialty, hydrogen, to some of my good friends in the club, particularly Marvin Gelber. After listening to me for several years on how hydrogen, as an alternative energy, can bring peace and everlasting prosperity to the society of nations, Marvin broached the idea of this talk and your brave president, showing the considerable courage of his military background, extended the invitation. That took courage because, almost every week since then the world oil price has dropped yet another notch or even two notches, or some substantial new hydrocarbon energy discovery has been unveiled.

Against this background, to talk about an alternative energy, one that does not depend on hydrocarbons, might seem to be a receding priority. Well, I'm here to argue that it's not, and the vital reasons are economic, strategic and environmental. I am here to make the case for rebuilding the energy roof even though it's not raining quite as hard today, because fixing that enormous roof permanently is essential, and it's going to take a very, very long time to do it. I argue that we and the world should start now to move more effectively and more resolutely towards a massive long-term objective to reduce the dependence of every nation on the fossil fuels — oil, natural gas and coal — in that order. Not to eliminate that dependence (except perhaps in the very long future), just to reduce it, to contain it; and to teach ourselves how to live without fossil fuels while we still have them with us.

Travelling this road will be costly; it will require some new fuels along the way (all of which, incidentally, will contain hydrogen!) and it will require a much larger proportion of our resources, both economic and intellectual, than energy supply has required of us in the easy past. But success will reward us with a cleaner world and a more peaceful one, where energy resources will be more evenly distributed among the nations and where we will not, therefore, be at each other's throats over the dwindling resources that remain in the hands of the fortunate.

I mention that this journey will be costly. But if we conduct ourselves intelligently, the challenge can be converted into opportunity — economic opportunity, as well as social and environmental opportunity. Canada has the chance, and the reasons, to be early on this scene, and today I intend to describe some of these challenges and opportunities to you.

First I would like to talk about some of the strategic concerns which should compel us toward alternative energy. A document which impressed me immensely was published by the Shell Oil Company in 1971, before the birth of OPEC. This document showed that the lines of oil supply from the Middle East in 1970 will virtually become rivers in 1985.

The message is still as clear as ever: first, that the issue of energy supply will underlie, and at times nearly dominate, the affairs of the nations of the world; and, second, that it would be in the interest of everyone, both oil rich and oil poor, for an alternative, better distributed and more sustainable energy supply to be found and applied to the service of man.

Even with the reduced flows of 1981, OPEC provided fifty-five per cent of the Free World's oil. The strategic peril of this is obvious and hardly tolerable. But it will remain until the countries of the Free World develop effective alternatives; and until some of these alternatives are in place and demonstrated, it will be difficult to set a limit on oil price demands.

But look at the matter also from the side of the oil rich. The rate of oil output which the West requires from the Middle East, for example, is likely to exhaust their resources within one lifetime, and that will be *before* the Arab nations have achieved an alternative basis for their economy. This enters into their determination to earn all they can for what they have.

While there is heavy pressure on OPEC to sell oil to finance their ambitious investment plans, I believe that the fifty-five per cent supply position will give them the ability to restore price discipline, especially when the West emerges from recession, and they will then be able to meet their income needs with less oil at higher prices over a much longer period of time. If these higher oil prices keep us on the long trail towards alternative energy, I think, in the end, it will be in everybody's interest.

My final strategic concern is also a humanitarian one — the Third World, its energy supply and the implications for the rest of us. Let me cite a few disturbing figures. If United States *per capita* energy consumption be taken as one hundred, Canada is close at about ninety. The world average is only eighteen: India is only 1.6; China, with a colder climate, is 6.4 and Bangladesh, the lowest that I could locate, is only .4 — that is, about 1/250th of the average North American per capita energy consumption.

Add to that the factors of world population. Now four billion, this is expected to expand to ten billion before levelling off, with most of the growth in the poorer regions; just to *maintain* the present miserable per capita consumption of energy, global supply has to increase by more than fifty per cent over the coming twenty years. Bear in mind also that the developing countries, as a group, depend more upon *oil* energy than do the industrial nations. No matter how much the industrial countries conserve, there will not be enough to meet the most moderate needs of the Third World, much less to enable them to improve their lot.

And there is yet another problem. Take the case of India. India has become the world's tenth industrial power and fortunately is moving into food surplus, but the import of oil requires seventy per cent of its im-

Alexander K. Stuart,
President,
Electrolyser Inc.

port budget. This is typical for many of the non-oil developing countries, where the need to import oil reduces the import of other vital goods, thereby causing hardship and retarding progress. The non-oil Third World is not very good at recycling petro-dollars and its debt is growing. This has implications for our future exports and the whole world trading system. Even if the price of oil should remain low, the developing countries cannot go on importing as much expensive energy, even if it is available in the quantities they require. I am not sure any nation can. Each nation is going to have to increase its reliance on a sustainable alternative energy supply from its own resources using local currency, even if the cost is higher than the world price. Coal, oil and natural gas are poorly distributed in the world and, in this transition from imported to indigenous energy, hydrogen can play an important role, in rich and poor countries alike.

Which brings me — at last — to my main subject.

What I have to say was ably described by Jules Verne in 1867, in his novel *The Mysterious Island*:

> Water decomposed into its primitive elements, and decomposed doubtless by electricity, which will then have become a powerful and manageable force . . . Yes, my friends, I believe that water will one day be employed as fuel, that hydrogen and oxygen, which constitute it, used singly or together, will furnish an inexhaustible source of heat and light of an intensity of which coal is not capable . . . I believe, then, that when the deposits of coal are exhausted, we shall heat and warm ourselves with water. Water will be the coal of the future.

So, once again, there is nothing really new under the sun — we just rearrange our priorities from time to time. Hydrogen is the simplest, the lightest and the most abundant element on earth. Pure uncombined hydrogen does not exist in nature to any extent. It exists as part of the fossil fuels, coal, oil and natural gas, but its most abundant combined form is, of course, water which is H_2O, two parts hydrogen and one part oxygen, and it is this water form of hydrogen which should concern us most, today and in the future.

For some people, the word "hydrogen" conjures up images of the *Hindenburg* and the hydrogen bomb. This is undeserved and in fact unrelated. As a fuel, about the only equally hazardous equivalents I can think of are the ones we now use every day — gasoline, propane and natural gas. The fact is we have learned to use these safely and we can do the same with hydrogen. Hydrogen even has some safety advantages. Unlike the heavier fuel gases, when hydrogen escapes it is so light it leaves the area immediately. Hydrogen does ignite very easily but it burns invisibly and does not "cook" its surroundings by radiant heat. Like any useful fuel, hydrogen has to be handled properly and with respect; but its excellent industrial safety record testifies that this can be done.

As Jules Verne said, it requires energy to release hydrogen from water (more energy than the hydrogen itself will contain) but, as I will illustrate, the kinds of energy that can do this job will be with us to the end of time. Once liberated from water by the process called "electrolysis," hydrogen becomes an energy carrier which potentially can perform most of the tasks for which fuel energy is required, such as the powering of machinery and transportation vehicles, or the provision of industrial and domestic heat.

The kinds of primary energy — that is, energy found in nature — which are suitable for making hydrogen are, or can be, fairly equitably distributed in one form or another throughout the globe. They are, of course, solar energy and its indirect forms of hydro-electric power, wind power and vegetation energy (called "biomass"); geothermal energy from the molten magma beneath the earth's crust, gravitational energy in the form of tidal power; and last, but decidedly not least, nuclear energy as electric power. With the exception of biomass, all of these sustainable primary sources exist as energy of motion or as heat energy, and about the only way we know to make them recoverable and more broadly useful is to convert them into electricity. Such electricity can of course perform many, if not most, energy functions directly but it cannot perform them all. The only practical way electricity can be economically stored in bulk, transported very long distances or fully used in all the ways that fuel is used, is to follow Jules Verne's advice and apply it to electrolyse water into its "primitive elements, hydrogen and oxygen."

Electrolysis of water is in fact the only known practical way to convert electricity into fuel. Fortunately this can be done at high energy efficiencies — eighty to eighty-five per cent by today's technology, and probably rising higher with further research. Electricity sources are relatively abundant and the energy problem of the world is essentially a fuels problem. For many countries, electrolytic hydrogen will therefore be an important part of the answer.

With a hydrogen advocate like me, it is an established tradition to be long on concept and short on costs. Today I won't betray that fine tradition. But I will refer to the report just published by the Ontario Hydrogen Energy Task Force, appointed by Energy Minister Robert Welch and chaired most ably by Dr. Arthur Johnston. This report in nine volumes is probably the most comprehensive document ever produced on hydrogen energy, and explores all aspects from production to utilization, particularly in the Ontario context.

Electrolytic hydrogen is already competitive on a decentralized basis, but the Task Force projects that hydrogen, produced from CANDU electricity in large centralized quantities, will be competitive with hydrogen made from hydrocarbon fuels by the mid-1990s; it could become competitive considerably earlier, depending upon hydrocarbon energy prices.

In support of this, it is interesting to compare the cost of a CANDU nuclear station with that of a tar sands plant. Ontario Hydro's Bruce "B" Nuclear Station will be completed at Kincardine, Ontario, in 1987 at an estimated cost of about $1,200 per kilowatt, or unit energy capacity. The Alsands plant in Alberta, which we so desperately need, at fifteen billion dollars will cost approximately $1,500 per equivalent unit of energy capacity — some twenty-five per cent higher. I hasten to state that this is not a fair comparison; the Alsands figures include a much higher inflation factor because the project will be completed later. On the other hand, Bruce "B" will be producing electricity right here in Ontario and its energy production cost will increase only very slowly over the life of the plant, because so much of that cost is the fixed charge for debt. Alsands, on the other hand, will be producing crude oil in Alberta, which must be transported and refined, and the price over time is expected to move in relation to OPEC oil prices.

What I have suggested about the eventual competitiveness of electricity and hydrogen in Ontario will apply sooner in other regions of Canada and the world, where electricity is now abundant and hydrocarbon is less available. What opens, therefore, is the possibility of a society which could gradually turn to electricity and hydrogen, as fossil fuel supplies diminish.

Having discussed the strategic and the economic, let me now consider the environmental implications of all this.

When hydrogen is burned the product is water vapour, which is a natural constituent of the environment, and which is conveniently returned through nature's water cycle for re-use. When hydrogen is produced from water by electrolysis, the oxygen needed to combust it is automatically co-produced and there is no net consumption of atmospheric oxygen, as occurs with the burning of fossil fuels. Other than a controllably small quantity of nitrogen oxide which is produced when hydrogen is burned with air, hydrogen fuel itself makes no contribution to pollution. This environmental advantage of hydrogen may in the end prove to be its most valuable and important characteristic. Environmental concern on the part of the general public is, I think, here to stay — one of the better, if not the best, results of the political and sociological climate of the 1960s.

An awareness of this deep rooted environmental concern was shown in the remarkable report produced in Ottawa last spring by the Special Committee of the

House of Commons on Alternative Energy and Oil Substitution. After reviewing all of the alternatives to oil which are available in Canada, this all-party committee concluded unanimously that, in parallel with oil sands and natural gas developments, we should move aggressively towards a long-term energy system based on electricity and hydrogen. This far-reaching conclusion has naturally attracted both praise and controversy, but has commanded international attention and respect, particularly for its urging that today's decisions in energy should reflect the very long-range concerns which will become decisive — sustainable supply and preservation of the biosphere in which we live. The report in particular emphasized that the world's present fossil fuel economy gives rise to major atmospheric pollutants. Dr. Kenneth Hare, Provost of Trinity College, is an internationally recognized authority on the atmosphere, and has stated that the sulphur dioxide/acid rain problem is now regarded as a regional international problem (for example between Canada and the United States); but that carbon dioxide — not yet officially accorded the status of a pollutant — could become a global problem, to be dealt with only on a global basis. The issue is complex and serious investigation is just beginning, but some authorities feel that the "greenhouse" effect of carbon dioxide on the world's climate may cause a warming trend to become evident as early as the year 2000; the adverse effects on the distribution of the earth's rainfall and the threat of an increase in sea level could be an important influence on the acceptance of hydrogen.

You may have noted that I have had no hesitation in including nuclear energy in the category of a sustainable and environmentally benign energy source. Sustainable because, compared to any other reactor design, the CANDU makes more efficient use of the world's uranium supplies; and when these eventually become depleted, the CANDU can be converted to use the very abundant element thorium as fuel, thus ensuring supplies of electricity for centuries; and long before then, unlimited nuclear fusion energy will be available.

There is insufficient time to embark fully on the nuclear controversy, but I regard the CANDU as environmentally benign because, if we allow the matter to be judged in a fair perspective, no other energy source capable of supplying the concentrated energy demands of an urban and industrial society can perform with as little ecological impact and with as strong a record of safety and reliability. The CANDU system is a Canadian scientific and engineering achievement on a world scale, of which we should be proud and which is serving us well. In respect to electric power, we are increasing our advantage over the United States. The energy policy of President Carter's administration became, in my opinion, badly distorted by an unrealistic assessment of the available energy options — too pessimistic about nuclear and too optimistic about solar. One result has been the U.S. emphasis on coal. In spite of cleaner coal technology, it seems likely that we will be experiencing the adverse environmental results of those decisions here in Canada for some time to come.

I would like to turn now to some of the earlier possibilities for using non-fossil derived hydrogen as fuel. Unfortunately the family car is not an early prospect, because the extreme flexibility required calls for better on-board fuel storage systems than we presently have, and also a hydrogen distribution infrastructure which could take years to achieve. Fleet vehicles are a better bet, where fuelling points can be predicted, and, as one example, the Urban Transportation Development Corporation has embarked on a major program to develop a hydrogen powered transit bus.

Hydrogen will first be used where its characteristics offer some compelling economic or operational advantage. In certain locations, for example, electricity may be more available than imported fuel and hydrogen can be generated economically from it in quite small quantities for both engine fuel and heating; and there are off-road vehicle possibilities in agriculture, construction, forest operations and open pit mining.

Gasoline engines can be adapted fairly simply to use hydrogen, and energy efficiency gains have been claimed up to fifteen or twenty per cent, because of the better throttling techniques which are possible. Agricultural tractors can be converted and this could be useful in those Third World countries where electricity is available.

Researchers are seeking a simple compact lightweight means to carry hydrogen on board — some sort of "hydrogen sponge." For this INCO Ltd. has developed metal hydrides, which are improving steadily although still too heavy and bulky. Hydrides have an important safety advantage, being about as combustible in a collision as a pile of coal.

Methanol and ammonia may be good chemical hydrogen carriers and liquid hydrogen is the answer for certain commercial applications such as buses and aircraft. As the lightest element, hydrogen has only forty per cent of the weight of conventional jet fuel for the same energy content. A liquid hydrogen powered aircraft could cover much greater distances at better fuel economy and, in advanced aircraft, there may be a further gain of up to thirty per cent by cooling some of the aerodynamic surfaces to reduce drag. Hydrogen-powered aircraft have actually flown, and Canadian interest is justified because the required fuel could be readily manufactured here and because our large defence task of aerial surveillance would benefit from the longer operating range.

The direct use of hydrogen as a fuel for engines has attracted the most attention, but in fact the much more immediate bulk energy application is to a less visible use — the manufacture of synthetic hydrocarbon fuels. The remaining enormous resources of low grade hydrocarbon such as tar sands bitumen, heavy oil, oil shales, residual oil and coal all require additional hydrogen for conversion to desirable light fluid products. The coupling of CANDU-based hydrogen, or hydroelectric based hydrogen, to the upgrading needs of our heavy oil and coal resources opens an enormous requirement in both eastern and western Canada. The by-product electrolytic oxygen can also be used to gasify the heavy petroleum ends, from which more hydrogen can be made; and also the oxygen can be applied to in-situ recovery and to environmental cleanup.

Another important potential application for both hydrogen and oxygen is to the production of methanol from wood waste or from coal, peat or lignite. The methanol thus produced can then, if desired, be converted to gasoline. However methanol itself will probably be a very important new fuel, especially in the Third World.

In the vital area of food production, the celebrated Green Revolution, which has changed the outlook of the entire Third World, depends upon nitrogen fertilizer which is made by combining hydrogen and nitrogen from the air. At present ninety-nine per cent of that hydrogen is made from fossil fuels. One of the early priorities for non-fossil hydrogen will be for fertilizer production, especially in the oil-poor countries using indigenous electricity.

Canada has a wide spectrum of energy options. We will need them all and it is, I think, a desirable national objective that there should be some balance by way of regional energy sourcing. Electricity and hydrogen represent an excellent opportunity for central Canada. Electricity is a job maker, a high technology job maker. Figures from EEMAC, the Electrical and Electronics Manufacturers Association, indicate that almost nine times as many jobs in Ontario result from expenditure on electricity compared to equivalent expenditure on natural gas; and even greater multiples apply in Quebec and Manitoba. I quote these figures, not for narrow provincial reasons, but to show how diverse energy sourcing can create diverse economic opportunity.

With an electricity base, Ontario and Quebec and Manitoba are all planning to develop the hydrogen opportunities that can lie ahead. Quebec is forming a council for Hydrogen Industries and Dr. David Scott of the University of Toronto has been appointed to organize the Ontario Institute for Hydrogen and Electrochemical Systems. The federal government has been sponsoring a major integrated hydrogen program for several years, with which my company, in partnership with Noranda Mines Limited, has been associated. Practical results are now emerging with respect to hydrogen production, which we hope will maintain Canadian leadership in this area of growing importance.

Other countries, notably France, Japan, Germany and the United States, are also carrying out large hydrogen programs, some parts of which are coordinated through the International Energy Agency in Paris, which is proving to be a significant medium for international collaboration and the exchange of technology.

The emphasis in the provincial and federal programs I have mentioned will be not only on hydrogen production but on the enormous technical challenges in hydrogen storage and transportation, fuel cells, synthetic fuels production and other hydrogen using and handling processes. While most other countries, including especially our good neighbour, are following on chiefly carbonaceous energy paths, we have the opportunity to develop here electrically based technologies which will solve our own problems and at the same time create exportable systems which the world is going to need. This can be the way we turn energy challenge into economic opportunity.

The thanks of the club were expressed to Mr. Stuart by H. Ian Macdonald, a Past President of The Empire Club of Canada.

MARCH 18, 1982

Federal/Provincial Relations

AN ADDRESS BY The Honourable Robert Welch,
DEPUTY PREMIER OF ONTARIO
AND MINISTER OF ENERGY

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: I have the great pleasure of introducing to you today the Honourable Robert Welch, Q.C., Deputy Premier of Ontario and the Minister of Energy, who is filling in for Premier Davis who could not be with us because of surgery on an impacted tooth from which he is still recovering.

Born and raised in St. Catharines, Mr. Welch graduated with a Bachelor of Arts from McMaster University in 1949, obtained his law degree from Osgoode Hall Law School, and was called to the Ontario Bar in 1953. He was first elected to the Ontario Legislature in 1963 after serving on the St. Catharines Board of Education for nine years.

He was first appointed to the provincial cabinet in 1966 and has served in many senior portfolios within the cabinet since that time. He has been Minister of Education, Minister of Housing, Attorney-General, Provincial Secretary for Social Development, Provincial Secretary for Justice, Government House Leader, Minister of Culture and Recreation, Minister responsible for the Civil Service Commission, and Provincial Secretary and Minister of Citizenship. Who could be a better representative of the Premier at this meeting than Mr. Welch?

Mr. Welch, who is married to the former Rita Boston and has three children, now resides with his family in Niagara-on-the-Lake. A member of Grace Anglican Church in St. Catharines, he is an active churchman serving as a member of the Niagara Diocesan Synod, Provincial Synod, and General Synod of the Anglican Church of Canada.

Ladies and gentlemen, please join me in giving Mr. Welch a warm welcome to The Empire Club of Canada.

MR. WELCH:

Mr. Chairman, ladies and gentlemen: Premier Davis sends his personal regrets at not being able to deliver his address to you today. He is the victim of an assault on his jaw with, I might add, his own consent and he is having some difficulty in recovering from this surgery. If the Premier were here, however, he would say:

"A little over a year ago I had the privilege of speaking to members of the Empire Club. With your kind indulgence, I used the opportunity to explain my views on the patriation of Canada's constitution, the need for strong central government, and my own unlimited belief in this country and its capacity to assert a bright and prosperous future for its people.

"At that time, you will recall, we were in the middle of a somewhat heated difference of opinion as to which of the three political parties in our province should provide government for the next four or five years. Today I should like to spend a few quieter moments reviewing both developments in our nation, and in our province during the last twelve months and our prospects and opportunities for the future.

"Obviously I am pleased by the progress that has been made on the constitution, by the way in which the Canada Bill has proceeded through the House of

Commons in the United Kingdom, and by what I expect will be a speedy passage by the House of Lords. Hopefully we can look forward to an early visit by Her Majesty the Queen to our country to proclaim a new constitution for the people of Canada.

"Despite the many frustrations that we have experienced along the way, I believe that the bonds between the United Kingdom and Canada have been enhanced and deepened by the intense discussions that have taken place on both sides of the Atlantic on the constitutional issue.

"There are, I am sure, many more British Members of Parliament, and members of the House of Lords, who now have a closer understanding of the nature and substance of this country and its constitutional realities than might have been the case before.

"Similarly, we in this country have a greater understanding of the kind of parliamentary system that operates in the United Kingdom and of the independence of spirit that exists on both sides of the House of Commons in that great democracy. I believe that both Canadians and Britons are better for that.

"In my opinion, throughout this whole process the British government has acted with a steady and sensitive hand in this most difficult of situations — a situation not of their own making, but one in which only their action could ultimately deliver our constitution back home. In that regard, I think we owe them a vote of thanks.

"I feel we have also been fortunate, as Canadians, to have been represented in London during these important and sensitive negotiations and deliberations, by a High Commissioner of the dignity, ability, dedication and composure of our High Commissioner, Jean Wadds. She deserves the thanks and gratitude of all Canadians for the role she has played.

"Under our new constitution the people of Canada, I sincerely believe, can now be assured of the protection of their rights and freedoms within a framework of justice and equity.

"Equally important, I have come to believe that the signing of the accord is symbolic of what federalism, what being a Canadian, is really all about — the ability to make compromises and to arrive at a reasonable consensus no matter how great the obstacles to such an agreement might seem to be.

"As political leaders of different political stripes and from different parts of this country, the First Ministers brought very real but very different concerns to the process of constitutional reform. But once we set our minds to the task of seeking some resolution, we found a valid expression of those common values which can unite us all in purpose.

"But now, as we prepare to celebrate the patriation of our constitution and the entrenchment of the basic traditions of monarchy, parliamentary democracy, civil liberties and responsible government, rather than feeling complacent or self-satisfied, we find ourselves facing even greater challenges on the economic front. For throughout the length and breadth of this country there is a growing anxiety amongst Canadians from all walks of life about the future, and about prospects of our collective destiny as Canadians.

"Clearly, the events which encircle us today as Canadians suggest a very careful re-examination of our priorities and our direction as a nation and as a society of free people.

"In examining our current difficulties I would not be honest with you if I did not indicate a very grave concern with what I consider to be a fundamental lack of direction which has overtaken the government of this country since the conclusion of the historic constitutional accord.

"It would appear that for almost every ounce of goodwill and understanding which helped produce the constitutional accord, there is now an equal measure of single-minded determination to impose upon this country a series of changes and conditions, exemplified by the federal budget in November, which serve no broad public interest but which do, in fact, hurt thousands of Canadians.

"For reasons that are beyond my comprehension, the Government of Canada seems to have determined that co-operative federalism — the notion of working together with other governments to achieve common goals and purposes — no longer pertains to the economic management or direction of this country.

"Coming as it does, after a series of federal-provincial initiatives, including the constitutional accord, the energy agreements signed with Saskatchewan, Alberta and British Columbia, the off-shore jurisdiction agreement signed with the Province of Nova Scotia, one wonders what political economic or national realities have produced this new doctrine of unilateralism.

"It's as if the co-operation and goodwill which emerged in these earlier agreements could not be allowed to settle in. It's as if someone somewhere in Ottawa determined that too much co-operation, too much co-ordination, too much agreement tends to be a bad thing for Canada.

"Now lest these observations be taken as yet another provincial attack on Ottawa or an attempt to shift the blame for our own difficulties on the federal government, let me try to put the present situation in some perspective. For, to some extent, I recognize the political imperatives which have given rise to this new strategy of unilateralism.

"First, I have often expressed some sympathy for the argument that the forces of national cohesion must be strengthened relative to the forces of regionalism and province-building. That is why Ontario supported the constitutional initiatives of the federal government and why we continue, as a government, to place such

Left to right: MGen. Bruce J. Legge, the Honourable Robert Welch, and Empire Club President BGen. S. F. Andrunyk

emphasis on economic policies which preserve and enhance the national market.

"We also recognize that governments in Canada, neither federal or provincial, can control all the factors which affect our economy. As such, we understand that the federal government may often find its sphere of action limited by the fiscal and monetary policies adopted by the international community.

"Further, we acknowledge that a federal government is invested with a peculiar responsibility to address the fundamental, the structural problems which have visited our economy of late, in spite of international pressures.

"It is for these very reasons that I am more than a little surprised and disappointed by this newly enunciated approach. As a student of Canadian history, I would have thought that the Prime Minister recognized that this country has worked best when governments have worked together to achieve common goals. Surely all our political leaders, regardless of political stripe or regional differences, share a common resolve to build a better economic future for all Canadians. And we are only going to make such progress if all our political leaders will work together to find some common resolution of these shared concerns.

"There is no doubt that it is legally and administratively possible for the federal government to "go it alone" in the pursuit of economic goals. It has the fiscal and monetary capacity to achieve programs which cannot be dreamed of, let alone put into action, by the provinces.

"But it is also clear that the provinces have in themselves the ability to counteract and diminish federal initiatives which are not seen to be in their own interests. What, Canadians might well ask, is the net gain for the federal government, or indeed the people of this country, from such unco-ordinated and counterproductive federal and provincial actions?

"Canadians have the right to leadership — leadership conducted by men and women of goodwill who understand the importance of working together to achieve a broad national consensus upon which progress and prosperity can be built. Canadians have the right, whether they are awaiting progress in the large energy projects in western Canada, a necessary reorganization of fisheries in eastern Canada, or revitalization of the automotive industry in central Canada, to a government action that can be positive and helpful. Canadians have a right to national leadership which broadens confidence, deepens trust, strengthens understanding among our private and public institutions.

"I believe that I can objectively assert that Ontario has in the past, when it thought too much power was concentrated in Ottawa, thoughtfully and carefully advanced provincial interests to ensure proper balance in the national interest. Similarly, and subsequently, when there was a large movement of fiscal and economic power to the provinces, Ontario has had the courage to side with Ottawa in ensuring a proper balance so that there could be strong and effective national government in the interests of all Canadians.

"In my opinion, the Government of Canada is very close at this moment in history to tipping that fair-minded balance between provincial and federal power in the interest of a dogmatic and politically unbalanced exercise of its own unilateral powers. Ontario can't and won't accept that approach. It's not good for Ontario. More important, it's not good for Canada.

"If the Government of Canada is searching for an ally in economic co-operation, in creating and maintaining jobs, in revitalizing the automobile industry, in improving trade relationships with the United States, in encouraging entrepreneurship and investment, then it will find one here in Ontario, amongst the people and government of this province.

"For I believe that all Canadians, of whatever political stripe, share a common desire to get our national government building this country again — by creating jobs, by strengthening its economy, by broadening opportunity and by sustaining national unity.

"But that will not be accomplished without the wilful commitment of the nation and its government to reach out to all partners in this Confederation to achieve some national consensus as to how that common heritage of prosperity can best be realized. From the governments and governors of this country, the people of every part of Canada have the right to expect no less."

The thanks of the club were expressed to Mr. Welch by William Karn, a Past President of The Empire Club of Canada.

MARCH 25, 1982

Do We Need Diplomacy?

AN ADDRESS BY Lord Moran, K.C.M.G.
THE BRITISH HIGH COMMISSIONER
IN CANADA

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: Founded in 1903 "as an organization to be addressed, at regular weekly meetings, by prominent men speaking with authority upon the issues of the day and having also a distinctive basis of British unity in its work and policy" and continuing to promote the interests of Canada and the British Commonwealth, The Empire Club of Canada is particularly honoured and privileged to welcome as its guest today, His Excellency Lord Moran, the British High Commissioner to Canada.

If I were to distill into one word the life work of Lord Moran that word would be "service" — service to Queen and country.

Born in London, England, the son of the first Baron Moran, the eminent physician who for twenty-five years was Sir Winston Churchill's personal physician and close friend, Lord Moran was educated at Eton and King's College, Cambridge.

He joined the Royal Navy during World War II at the age of nineteen and as an ordinary seaman in HMS *Belfast* served on Russian convoy duty. He was present in the war's most dramatic naval battle which sank the huge German battle cruiser *Scharnhorst* on Boxing Day 1943. The following year, as a Sub-Lieutenant in the Royal Navy Volunteer Reserve, he served in motor torpedo boats in the English channel and later in HMS *Oribi.*

On demobilization Lord Moran joined the Foreign Office and was appointed Third Secretary in the Western Department in 1946. Between 1948 and 1968 Lord Moran served in various appointments in Ankara, Tel-Aviv, Rio de Janeiro, Washington, Pretoria and the Foreign Office in London.

On the merger of the Foreign Office and the Commonwealth Relations Office in 1968, Lord Moran became Head of West Africa and General Department where he served during most of the Nigerian Civil War. In 1978 he was appointed additionally to be Her Majesty's Ambassador (non-resident) to Chad, becoming the first of Her Majesty's Ambassadors to be London-based. He was Her Majesty's Ambassador at Budapest from 1973 to 1976 and he was the Ambassador at Lisbon immediately prior to becoming the High Commissioner to Canada in June 1981.

In addition to having the reputation of being Britain's most gifted diplomatist, Lord Moran is an award-winning author, an ardent fisherman and a farmer. He is married to Shirley Rowntree Harris, daughter of the late G.J. Harris, Chairman of Rowntree's. She comes from Yorkshire and I am pleased to say that Lady Moran is with us today. Their Excellencies have three talented children — a daughter and two sons, one a banker in Boston and the other a barrister.

Ladies and gentlemen, I am honoured to introduce His Excellency, Lord Moran, Knight Commander of the Order of St. Michael and St. George, the British High Commissioner at Ottawa, and to invite him to address us on the subject, "Do We Need Diplomacy?"

LORD MORAN:

Mr. Chairman: I am honoured by your invitation to talk to you today.

March seems to me to be a good time to come to

Toronto. When I was last here, in the depths of winter, I saw rows of empty houses and was told that half Toronto was in Florida or the Caribbean. I noticed that even the social page of one of the leading Toronto newspapers was being written from Bermuda. So I'm glad to see that now that spring is here — or almost here — you are mostly back in town.

And may I say that for us it is always a special pleasure to be here in Toronto. Yours is an immensely stimulating and dynamic city and we have already met many very interesting and agreeable people here and made a lot of new friends, some of whom, I see, have been gallant enough to come here today.

I have heard a great deal about the Empire Club, most recently from that notable citizen of Toronto, Jean Wadds, who spoke to you last year, whom I saw last month in London and who has made so many friends there. We British are very lucky to have her representing Canada in our country. She told me that the Empire Club strongly supports the monarchy and the British connection, so that I needn't expect too rough a ride. I hope she was right. I see that you recently invited Bob Rae and Barbara Amiel to talk to you, so you evidently welcome different points of view, though as a diplomatist I'm afraid I can't address you in quite as uninhibited a fashion as can a politician or a journalist.

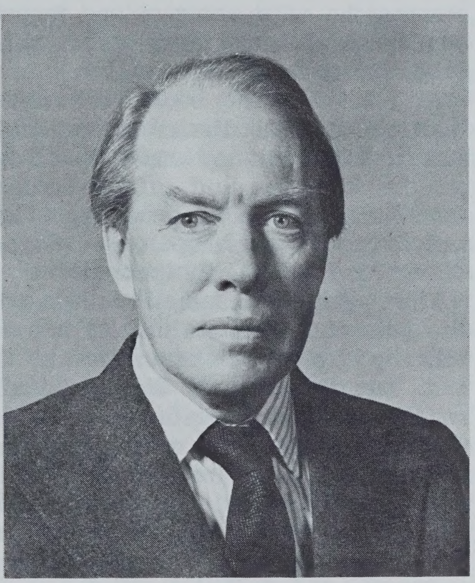
When I was asked to talk to you I thought that you would perhaps prefer that I did not give you a detailed analysis of the state of the British economy. Those of you who are in business or finance often have your own representatives reporting to you from London, or you read the assessments of business analysts, stockbrokers and finance houses or financial journalists. Most of them are better qualified than I am to identify economic trends (though I must say that economic prophets in both Canada and Britain are not picking winners every time just at present).

All I would like to say on this is that although, like you, we in Britain have serious economic problems at present, above all high unemployment, the economic picture is not wholly dark. The rate of inflation is falling. Pay increases are being held to under ten per cent — four to six per cent in industry — and it seems likely that our 1981 balance of payments surplus will be roughly the equivalent of $18,000 million Canadian. If so, this will be two-and-a-half times greater than the surplus we had in 1980 and far higher than the surplus achieved by any other major industrial country. Even Japan's 1981 surplus may only have been a third or a half the size of Britain's.

This huge surplus has been partially offset by continuing high outflows of portfolio investment from Britain. We are, as you will know, the second biggest investors in Canada after the United States.

And there has, too, been an impressive increase in productivity in Britain — in 1981 a rise of nearly eight per cent in output per person per hour in the manufacturing sector. It is important to remember that this is not due only to reductions in the labour force. Other factors have been at work in producing the improvement — better relations between management and labour, improved work practices on the shop floor and a very much improved strike record have all played their part. I say all this simply to indicate that things in Britain really are looking up.

I will say something in a few minutes about the relationship between Canada and Britain, but I thought that I would today try to talk to you primarily about my own profession, and whether the job we do is a necessary one or not. I believe it is a widely misunderstood profession, and though what I say about it can only be a personal view, it is that of someone who has been doing the job, in many different parts of the world, for a good many years.



Lord Moran,
K.C.M.G.,
British High
Commissioner
in Canada

We find in Britain that young men and women wanting to join the diplomatic service tend to ask whether in the modern world the job is still important. "Isn't an Ambassador or High Commissioner now on the end of a string?" they ask, "a mere front man sent detailed instructions by telegram or telephone who has little scope for individual initiative?"

All I can say is that, despite all the telegrams, or perhaps because of them, it's not like that in practice. Ministers can't do everything. There are often five or six international crises or problems on the boil at once. A diplomatic representative overseas can't, it is true, behave as though he were his own boss. He never could. But if he is an effective and persuasive operator he can often exercise a great deal of influence in the formulation of his own government's policy, because he is on the spot, he is dealing full-time with the country he is working in and its relations with his own, while at home ministers and officials have many other fish to fry.

And when I send back my considered advice in a telegram, it is distributed at once not just within the foreign office but to Number Ten Downing Street and all the ministers and officials concerned. And the same happens with telegrams from Canadian representatives abroad reaching Ottawa. So our advice can be disregarded, but hardly ignored.

Then again I am sometimes asked whether it is not the case that Prime Ministers and foreign ministers talk directly to each other. Doesn't this eliminate the need for diplomatists? Well personally I don't think so. Of course it is often very useful for them to meet and get to know each other better, as they can do on bilateral visits or at international meetings. But at best they only see each other briefly and irregularly and then they don't always manage to solve all the problems in half an hour. The problems tend to go on and politicians themselves don't always see eye to eye all the time, even within the Western Alliance, as you will have noticed if you've been reading your newspapers. And then there is a need for continuity. Chancellor Schmidt and President Giscard had a notably close working relationship, but now Giscard has gone and the castle has to be rebuilt.

Governments in dealing with each other — and this in my view applies even to the best disposed governments, say those in NATO, the Commonwealth or the European Community — have a real need for interpretation, for a go-between, for someone who understands a good deal of both points of view, on occasion a filter or a buffer. There is, I think, all the difference in the world between, say, a request, or a complaint, or some other message which comes in cold from another government — at whatever level — and the same message which comes through a competent diplomatic agent, with a proper explanation of the background, of *why* it's important and *what* it's all about, and with a sensible and realistic recommendation about *how* his government ought to respond. It is not really surprising that the well presented message is more likely to produce a satisfactory response than that which arrives cold.

One of the problems about diplomacy as a profession is that there is a general feeling (though some people are too polite to express it) that anyone can do it. People don't generally believe that they could make much of a fist at being a concert pianist, or a nuclear physicist or a professional hockey player, but nearly everyone thinks that if they put half their mind to it they could do rather better than most of the professionals at being an Ambassador or a High Commissioner, like the people who on seeing Jack Nicklaus miss a putt claim that they could do better with their umbrella. They may be right, but I'm not sure.

Of course there are some technical skills. You have often to work at high speed, under pressure, against absolute deadlines, maybe in the box of the House of Commons, drafting notes for a wind-up speech minutes before the end of a debate, or doing notes for cabinet or clearing the lines before an important meeting. And in our case we have always to remember the five hour difference between Ottawa and London.

You can't do much good in China or Japan or Ethiopia or Hungary unless you can speak the language reasonably fluently. You need to be able to remember, and subsequently record fully and accurately, the important points in long conversations. You need to be able to put across your government's case to sometimes unsympathetic listeners and to men of very different backgrounds whose outlook is not at all the same as that of the members of your own government. You need to be able to establish common ground —

and it isn't always easy — and to find a common interest where it is possible, remembering the Duke of Wellington's wise remark that "self-interest never lies." You need to be able to understand what is going on in the country where you are stationed.

In some countries, like Canada, most things are out in public and the trick lies in interpretation and judgement, in deciding what is important and what is not, and where things are really heading. It isn't always easy, even in an open, friendly country like this or like the United States, where I've tried it too. In some countries the process is quite different. In a communist country, for example, everything important is conducted in secret and one has to acquire a special skill in decoding speeches, articles and party slogans — what is left out may be as important as what is put in — and to assess the interplay of ideology and nationalism. In Africa or Latin America the job is quite different again. In all except communist countries personal relationships can be important. A diplomatist who is liked and trusted can do a good deal. One who is not cannot.

Of course our profession is changing. It has become a good deal more dangerous. In recent years two British Ambassadors have been murdered; others, including of course one here in Canada, have been kidnapped, and the hazards do not grow less. And it is also much rougher. A profession which used to take one to Vienna and St. Petersburg where one was part of a small and privileged circle, now takes one to places a goodly number of which are far from healthy in any sense of the word and where privileged circles are unknown.

And here I should like to say something about our wives (if in these days of militant feminism I'm allowed to call them that). They have a very exacting job for which they receive no pay, bringing up children while shifting about the world, running houses under all sorts of conditions, cut off from their homes and families and increasingly from the skilled jobs they have been trained to do, and often sharing all the disadvantages and few of the advantages of their husband's postings. But in this profession they do often play a bigger part than in most others as acquirers of information, as critics, advisers, accountants, hostesses or representatives in their own right. A good wife can be an enormous help to a diplomatist, a bad one a major handicap. Some of us operate almost exclusively — as my wife and I do — as a joint team, as inseparable as Laurel and Hardy or the Dolly Sisters, and that is certainly the most agreeable way of leading this gypsy life.

Diplomatists have, of course, to report on the countries where they live. Like any newspaper correspondent, it is up to them not only to make their reports accurate and reliable, but readable as well, otherwise they will be lost in the blizzard of paper that swamps all national capitals.

It's sometimes said that there is no need for diplomatic reports, as the media cover everything important and interesting and do it better. I'm afraid that you can't judge this for yourselves, as our reports — including mine on Canada — only become public in thirty years' time after they are written. But essentially what a diplomatist needs to do is to look under the surface, to seek to illuminate, and above all to try to penetrate the murk of the future as a man like Sir Horace Rumbold did when he reported from Berlin on the first stirrings of the Nazi movement and what it might lead to.

This is perhaps the hardest thing of all to do. As you know, most Western missions operating in Iran under the Shah failed to foresee the extent and nature of the Moslem fundamentalist revolution led by the Ayatollah. But it is very important to discern these upheavals before they occur, as they have done in

Iran, Egypt and many other countries. A diplomatist and his staff need in some countries to be seismologists.

Diplomatic reports can in fact be fun to read. When I began in the Foreign Office I remember coming across a telegram from a North African post beginning: "All is quiet in the Casbah, but trouble is brewing in the Bidonville"; and one from the Vatican which ran "Drawing me behind a pillar, His Eminence confided in me that . . ."; and Sir Percy Loraine, after staying up all night in Ankara drinking raki and eating chickpeas with Kemal Atatürk, staggered into his office and began a despatch, "Sir, I have the honour to inform you that last night I was once again intoxicated in the service of my sovereign."

And a despatch can be, and ought to be, a work of art, even if it only rarely is. It is an old tradition. I was looking the other day in the calendar of state papers (Venetian) at the fascinating reports sent at the time by Venetian diplomatists on the English Civil War. It was intriguing to see when they first noticed the emergence of a man they called Cramual. And in Lisbon I was struck when reading the reports of the Marquis de Bombelles, who was French Ambassador there two years before the French Revolution, by how much of what he noted was still true.

Of course the media do it much quicker. Sadly, because they cost so much, there are now far fewer of the old staff correspondents than there used to be. The best of them were splendid and Canada still has some excellent ones in London. Good journalists are still very important people and can do a lot to increase understanding. Contrariwise if they are prejudiced and rude, they can do a lot of damage. My experience is that if my wife appears in a charming dress but a disastrous hat it is, on the whole, best to praise the dress and say as little as possible about the hat. But I fear that in these competitive days journalists have to work on the opposite principle. Television reporting can be first rate but it is hampered by the need for extreme brevity and by the fact that network managers often judge that viewers' interests are parochial.

A diplomatist needs to know his own country, and how it works, thoroughly. He has in reporting to try to explain the things that he knows are baffling to his own people at home. For example, someone like myself who comes from a unitary state has to try to understand and then explain to people in London how it is that Canadians can happily vote one way in federal elections and another way in provincial elections.

A very important part of a diplomatist's job is his dealings with the host government. Here I think the greatest need is to establish confidence and trust. Reliability is the greatest asset there is. When he does talk to busy ministers and officials, a diplomatic representative needs to be courteous (but sometimes firm) and succinct, and to concentrate on the important things. And in my view a diplomatist won't get very far in most countries unless it is obvious that he likes the place and the people. In this respect I am happy to say — and I'm not just being polite — that we have no problem at all, since we love living in this country and are enormously enjoying travelling round it and meeting more and more Canadians.

Nowadays a diplomatist needs to spend a lot of time on promoting trade and investment, which are all-important bread and butter issues. The Canadian government thinks so too, as you will have seen from the recent reorganization of the Department of External Affairs in Ottawa. These matters directly affect prosperity and jobs in one's own country. But in my experience commercial matters are inextricably bound up with political matters. When British businessmen come to see me and my colleagues in other posts, it is usually political judgements that they want from us.

And in many countries good political relations mean good commercial relations and vice versa. In practice one is constantly involved in different specialized problems of ever-increasing complexity — civil aviation, energy, security, defence disarmament, scientific questions, the arts, even constitutional matters.

The entertaining that diplomatists need to do is largely to help them establish, in a short stay of three years or so, the wide range of contacts that they need to have. It is not very different from that done by businessmen and bankers. In some countries it is uphill work but here in Canada it is a pleasure, as it helps us to get to know more Canadians.

I should add that one quality diplomats are supposed to have is presence of mind — the ability to react quickly to unexpected situations. Many years ago a British Ambassador to the Sublime Porte at Constantinople, on arriving to present his credentials to the Sultan, found that the final door into the presence chamber was only two feet high so as to compel him to enter on hands and knees, thus demonstrating his subservience. Lord Duncannon made no difficulty about this. He went in on hands and knees — but backwards.

My profession is one in which Canadians have excelled. Many Canadian diplomatists have made for themselves an international reputation — men like Mike Pearson, Saul Rae, George Ignatieff, Charles Ritchie, Jake Warren and Arnold Smith. This has done quite a lot to give Canada the high standing in the world which she enjoys. For us it has always been a particular pleasure — and very valuable professionally — to work with our Canadian colleagues at posts abroad, as I was able to do in Budapest and Lisbon. I am only sad not to have a Canadian colleague to compare notes with in Ottawa.

Diplomatists are supposed to be concerned most of their time with foreign policy. A great deal is said and written about this. Sometimes I wonder if there is such a thing. But in fact foreign policy is usually simply the external aspect of one's general policies — political, economic, defence or whatever. There is sometimes, I think, a danger of over-activity in foreign affairs. When I see a great deal of meddling going on, I remember the great Lord Salisbury's splendid definition of the ideal foreign policy which was "drifting downstream with the current, occasionally putting out a boathook to avoid a collision." The ideal is of course not always attained. All too often the progress downstream resembles white water canoeing.

How is all this relevant to Canadian/British relations?

Our relationship has of course been overshadowed for the past eighteen months by the difficult and somewhat delicate problem of the constitution. At times it has put a strain on it, perhaps a bit like that put on a close-knit family by the dispositions of a will, though as against that, Canadian and British ministers and officials have worked closely and harmoniously together on problems. But I think we are nearly at the end of that chapter. The Canada Bill is being given its third reading in the House of Lords today. I imagine that we shall hear very shortly when the Queen will be coming to Canada to proclaim the new constitution.

When he opened the second reading debate on the Canada Bill in the House of Lords, Lord Carrington paid a tribute to Mr. Trudeau and the premiers of the provinces who had "succeeded where others have failed in arriving at a large measure of consensus." The result, he said, was "the draft of a constitution made in Canada for Canadians" which was "as it should be." Going on to speak of the scope and depth of the relationship between Britain and Canada, he said:

> Everyone will be conscious, as I am, of the common cultural and political heritage of our two countries and of our sistership under the

> Crown and within the Commonwealth. All will admire, as I do, Canada's dedication to the cause of a more just world and her determination to preserve free societies, a determination manifested twice within living memory by her contribution to two world wars.
>
> I am confident that the new era marked by the formal dissolution of a lingering constitutional link will also be a new era marked by a further extension and strengthening of the less formal co-operation between Canada and Britain — co-operation in industrial and commercial enterprises, in professional and cultural exchange and in the numerous other activities which go to make up the fabric of modern life.

I think myself that we need now to concentrate on the other aspects of our relationship — on trade, where our share of your market, and your share of ours, has declined, a decline that should, I believe, be reversed, and on investment, which is important in both directions and which can play an important part in reducing unemployment from which we are both suffering. And let me say in that context that we welcome the current review of FIRA procedures and hope it will result in significant benefits to businessmen applying to invest in Canada.

We want too to concentrate on cultural collaboration, in promoting not only exchanges of exhibitions and ballet companies but an increase in academic exchanges. I sometimes dream that a new Cecil Rhodes might come forward to found scholarships to enable more outstanding Canadians to study in Britain and more outstanding British students to study here in Canada.

Apart from students, I would like to see more young Canadians of all sorts going to Britain and more young

British people coming here. When my younger son was at school he came to Canada and worked on a farm here in Ontario. And when I took him last year to Alberta and British Columbia he found it a revelation. I think that the more of this sort of thing we can promote the better.

You in Canada will continue to do the great bulk of your trade with the United States and to have extremely close links with the United States in every field. This is only natural. We for our part are a European nation and inevitably an equally large part of our trade will be with continental Europe and our relations with European countries are and ought to be very close. But the fact that you have so many links with the United States and we with Europe ought not to prevent Canada and Britain from having close links with each other.

The main lesson of the past eighteen months is, I think, that our relationship, though a close and, in our view, very important one, with many strands — a relationship based on historic and modern ties and an important community of interest — is nonetheless rather more fragile and delicate than we used to think. It cannot be taken for granted. We have seen over the years an erosion, not merely of sentimental links, but of trade and academic collaboration and even of the habit of working closely together. I think we need to cultivate our relationship in both our interests, and not to let it grow rusty. I conceive it as my job to try to get the particular areas I have spoken of in healthier shape and to help put our overall relationship on a sounder footing. I believe that this is something we both need to pay attention to, because I think a close — I would say special — relationship between our two countries is of some importance to you and it undoubtedly is to us.

It suffers a bit at present not simply from a few bruised feelings — on both sides — after the marathon on the constitution, but from a certain ignorance and neglect. We need to know each other better than we do, to rid ourselves of old prejudices and hang-ups and, I believe, to work more closely together in a dangerous and uncertain world.

The thanks of the club were expressed to Lord Moran by Major General B.J. Legge, a Past President of The Empire Club of Canada and the President of the Empire Club Foundation.

APRIL 1, 1982

Canada's Multi-Billion-Dollar Projects: What Price? What Rewards?

AN ADDRESS BY The Honourable John C. Munro,
MINISTER OF INDIAN AFFAIRS
AND NORTHERN DEVELOPMENT

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: It is my pleasure to welcome as our guest speaker today the Honourable John C. Munro, Minister of Indian Affairs and Northern Development. Only one other minister in that portfolio has ever appeared at our podium before and that was thirteen years ago when the Honourable Jean Chrétien spoke to us on the White Paper on Canada's Indian Policy.

A barrister and solicitor, John Munro comes from a Hamilton family with a long history of community and political involvement. After sitting as an alderman and member of the Hamilton City Council for several years, he successfully ran for Parliament in 1962 and since that time has been re-elected in every subsequent election representing Hamilton East, Canada's most industrialized riding. His constituents comprise a virtual United Nations of ethnic backgrounds.

During his twenty-year tenure in the House of Commons, Mr. Munro has held numerous cabinet posts, serving in the portfolios of Health and Welfare, Trade and Commerce, Manpower and Immigration, Labour, Multiculturism, and currently Indian Affairs and Northern Development. During these years he has made a significant contribution to the creation of such programs as the Canada Pension Plan, Canada's Medicare system, the New Horizons program, Sports Canada, Hockey Canada and the Canadian Centre for Occupational Health and Safety.

As a veteran cabinet minister and Member of Parliament, John Munro has earned the reputation as a tireless worker, a strong team player and a fighter for the rights of the underdog and disadvantaged citizen.

Ladies and gentlemen, I am pleased to invite the Honourable John C. Munro, P.C., M.P., Minister of Indian Affairs and Northern Development, to address us on the subject "Canada's Multi-Billion-Dollar Projects: What Price? What Rewards?"

THE HONOURABLE JOHN C. MUNRO:

Mr. Chairman, ladies and gentlemen: First let me say that despite this being April the first, I have no hesitation about being here today. We are, after all, in this together! I appreciate the opportunity of meeting with members of the Empire Club. You have a long and enviable tradition of concern for public affairs and the well-being of Canada.

Today I want to speak briefly, and in a spirit of optimism, about the government's approach to our current economic circumstances, and about some of the initiatives we must embark on together to achieve solid and sustained economic development in Canada. But first I'd like to answer a question that's probably lurking in the back of your mind. And that is, why is the Minister of Indian Affairs speaking on a topic that might otherwise be brought to a forum of this kind by a Minister of Finance or a Minister of Industry?

The short answer is quite simple. In addition to my cabinet responsibilities on behalf of Canada's native population, I am also the Minister for Northern Development of Canada.

This means that I have the additional responsibilities for guiding the economic, social and environmental destiny of about forty per cent of Canada's land mass, the lands located north of the sixtieth parallel. More to the point, it means I'm directly involved as minister in the development of Canada's "last frontier," where lies much of our economic promise for the next few decades, in a delicate and unique environment and where Canada's native people have a vital stake.

I am suggesting to you today that it is very much in your interest — and I am speaking to the broad generality of Canadians in this commercial and industrial heartland — to become involved as active participants and partners in the development of the north. I am suggesting to you that there is a light at the end of the tunnel, and it is within our ability to switch it on. Certainly Canada is faced with severe economic problems. But unlike most other countries in similar circumstances, we have powerful levers to help turn our situation around.

I believe — and this will be the central theme of my remarks today — that our success as a country depends very much on forging new economic partnerships. We have to make this forging of partnerships a way of life in this country.

As you are probably aware, the government has embarked on a consultative process. My colleague, Allan MacEachen, is now meeting with business leaders, and I expect, labour leaders, in all the regions. He is getting their views on the economy and what we are doing, or not doing, as a government. I'll be in British Columbia tomorrow with Mr. MacEachen and we will be discussing some of the problems that are of great concern to that province.

This is not the first time we have consulted with business and labour and other interests. But now, more than ever, it's time to get the process moving forward again.

The Honourable John C. Munro,
Minister of Indian Affairs
and Northern Development

Over the last couple of years we have become divided over a number of issues. I believe we should all be ready to put our differences aside. Look at what is happening. We are getting ready for the final exercise in the patriation of the constitution. We have taken major steps toward the implementation of the National Energy Policy. Now we need to assess our strengths as a country, and build on them.

One of the major building blocks that will determine our future is our natural resources. Another is our human resources. We now need to demonstrate our willingness, and our ability, to put them together.

In particular, I want to emphasize the opportunities that are being presented by the development of the north, and the interest you have in its success. In doing so, it is important to take into account both the costs and the rewards. It is also important to be aware of the new rules of the game and the new players who will be involved in northern projects.

The reason why northern development is critical at this time is probably pretty clear to most of you. The government has staked much of our economic future, and our business recovery, on the major projects, many of which will be undertaken in the north.

The government's economic strategy is still the fight against the high rate of inflation, including our determination to reduce the federal deficit as quickly as possible. We have not made many political friends in pursuing these policies. But I was encouraged the other day by the observations of Jacques de Larosière, the managing director of the International Monetary Fund. Mr. de Larosière agreed with our position — that inflation leads not to growth but to recession and unemployment. He said that Canada was "showing courage and determination" in its fight against inflation. He also said that countries which best control their rate of inflation win the most growth and the most jobs. He even suggested that Canada could be even tougher in reducing its spending and deficits.

Much as you support the fight against inflation, you want the additional assurance that we are taking other effective steps to turn the economy around. We recognize as a government that if you are to make the hard decisions on new investment, the government must do its part in restoring confidence.

We believe that an important stimulus to the economy is being provided by major resource projects. We already have major projects on stream. We already know the benefits that are being shared throughout the economy. And there's a lot more to come.

Do not misunderstand. We do not assume, as some critics have suggested, that these projects constitute the only answer to all our current economic woes. Nor do we believe that they must go ahead at any cost to environment, to people, or to the economy. What we know is that we have resources. We know that the development of these resources can make us more self-sufficient in the long run and that investment in our own resources can stimulate industry and provide jobs. We also know that this development must be undertaken thoughtfully, with balance and concern for the interests of native people and the environment.

The importance of the major development projects was set out in the government's policy paper, *Economic Development for Canada in the 1980s*, published last November. As a result of resource development, we anticipate that Canada is presented with exceptional opportunities in manufacturing, and in particular, high technology manufacturing.

Last year a task force on major projects gave us a private sector view of the kind of economic development potential that these projects provide. The task force was an autonomous group of eighty senior business executives and trade union officials. It was co-chaired by Robert Blair, the president of Nova, an Alberta Corporation, and Shirley Carr, executive vice-president of the Canadian Labour Congress.

The task force identified an inventory of 235 potential projects totalling $440 billion that could be undertaken over the next eighteen years.

The list is an impressive one. Some of the projects have already become household names; for instance, the already approved Norman Wells oil field development in the Mackenzie Valley and the Alaska Highway Gas pipeline. Another, the Arctic Pilot Project, is now under review. There are many more in the planning stage.

You will appreciate that the government must proceed deliberately in view of all the environmental, social and economic considerations. But what we have accomplished so far clearly demonstrates our ability — on the part of both government and business and all the project participants — to get the projects on stream.

About ninety per cent of the projects identified by the task force are related to electrical and oil and gas production and distribution, and hydrocarbon processing. If we can start moving on some of them in the next year or two and meet the government's target of energy self-sufficiency by 1990, we will make a major contribution to our balance of payments and our international competitiveness. Norman Wells, for example, will save us $400 million a year in foreign exchange. The energy projects will also give solid backing to the government's policy of maintaining energy pricing at lower than world levels, and thus guarantee a competitive edge for Canadian industry and lower costs for consumers.

We should not be deflected from our goal by the current softness in world prices. We must take these events in our stride and continue to take action for the long-term.

But it's not only the exploitation of energy resources that's at stake. One of the most important considerations is the spinoff in industrial benefits which will have a positive impact on every region of Canada, including the basic steel, machinery, high technology, financial and management sectors of Ontario and Quebec and the other regions.

It's quite obvious that some projects have been delayed by the recession. We have seen that kind of delay with the Alsands and the Cold Lake tarsands projects in northern Alberta. But recent developments on Alsands should tell you that the government sees these only as temporary delays. The resources are there. They are being proved up. The demand for energy continues, and the need for substituting Canadian-produced energy for imports is basic to our economic growth, our economic security and our political independence.

While mega-buck projects are a source of optimism, I want to be clear that it is the aggregate investment that will count more in the long run than single projects. In the fifties and sixties it was the Trans-Canada pipelines and the St. Lawrence Seaway that created enormous driving forces for the economy. The pipeline and the Seaway had their share of detractors. But who today would question the contribution which they have made, and continue to make, to the Canadian economy? Personally, I am convinced that specific projects such as Alsands, the Alaska Highway gas pipeline and others will bring similar benefits to Canada.

But the economic stimulus from investment in resource development does not hinge on one or two projects. It's the overall investment that counts. For example, the investment in nuclear power runs into the billions. In Ontario alone it amounts to more than seven billion dollars. Newfoundland and Quebec are planning mega projects in hydro power. Then, over the next five years, it is anticipated that many billions will be committed to major projects in the northern territories. Norman Wells, the Beaufort, Dempster gas, and the Arctic Pilot Project all contribute to the promise of this region. The prairies, the Atlantic provinces and British Columbia are going ahead with other major projects.

Let me give you a dramatic quote from a speech given by the Honourable George Braden, leader of the government executive committee in the Northwest Territories, just a few weeks ago:

> In the 1980s and 1990s, oil companies will probably spend about fifty billion dollars on major oil and gas projects in the Northwest Territories. In dollar terms this represents

almost an eighth of all the major projects planned for Canada as a whole. The first of these projects, the one billion dollar Norman Wells pipeline and oil field development, is due to begin in a year and a half. This project will put twenty-five thousand barrels of oil into southern markets, reducing Canada's demand for foreign oil.

In all, about twenty-two trillion cubic feet of natural gas have been discovered in the Beaufort Sea area and around the Arctic Islands. Oil finds have led Dome Petroleum to predict a 1986 start-up date for commercial oil production in the Beaufort. Gulf Canada, also exploring in the Beaufort, has announced an expansion of activities with the development of a base camp around Tuktoyaktuk on the Arctic coast and a new drill system. Pan-Arctic Oils is expanding its drilling capacity with the recent discovery of oil on its leases. The Arctic Pilot Project consortium will soon appear before the National Energy Board with a proposal to move liquefied natural gas to eastern Canadian markets.

Oil and gas exploration have added significantly to the territorial product. Dome Petroleum, for instance, spent more than seventy-three million dollars during its first six drilling seasons, on northern labour and purchases from northern business. That accounts for 10.5 per cent of Dome's total capital expenditures and operating costs in Beaufort Sea undertakings. Multiplier effects have added another $23.7 million to the territorial product since 1976.

In 1979 there were seven producing mines in the Northwest Territories employing 1,822

> persons or 14.4 per cent of the N.W.T. labour force. The total value of metal mining production was $369 million and the value of tungsten production was estimated to be an additional fifty million dollars. The N.W.T. accounted for one hundred per cent of the tungsten production in Canada, 17.5 per cent of the lead, 18.7 per cent of the zinc, 10.8 per cent of the gold and 6.8 per cent of the silver. In total, the seven mines in the Northwest Territories accounted for 1.6 per cent of Canadian mineral production, and 4.6 per cent of metal production.
>
> Since 1979 four new mine openings have been announced. These current developments, costing $325 million in total, are now coming on stream. One abandoned mine has been reopened and closed. It is estimated that these new projects could increase lead production in the Northwest Territories by fifty per cent, and perhaps double gold production.

This is George Braden, speaking for the Northwest Territories. This doesn't even touch on the potential for the Yukon.

In the last two years, I have approved northern development projects worth more than a billion and a half dollars. These include the Cullaton Lake gold mine, Cominco's Polaris lead-zinc mine on Little Cornwallis Island, the Cadillac mine, the Echo Bay mine and the Lupin mine, all north of the sixtieth parallel, as well as the expansion of the Norman Wells oil field and the construction of the pipeline to Alberta.

Sometimes we lose sight of how big these projects are. Pipe requirements for the twelve billion dollar Alaska Highway pipeline will provide a healthy boost to the Stelco plant in Welland and the Ipsco mill in Saskatchewan. At the same time, pipeline construction firms in Alberta will be assisted through their present difficult times. Component manufacturers of valves and compression equipment from Quebec to British Columbia will also receive significant orders.

These projects clearly demonstrate that we have the political will, and that industry has the know-how, to bring these projects on line. These and similar projects also have the support of northern governments and the native people, albeit with the real provisos which I have alluded to, which is a notable change from earlier years.

Last October it was encouraging to hear the position of the Council for Yukon Indians at the annual northern resources conference in Whitehorse. David Porter, the council vice-chairman in charge of economic development, told the conference that "native people across the north are going to be major players in resource development." He went on to say that whether the native people assume this role in a spirit of confrontation, or one of co-operation, is primarily up to the rest of the community. The CYI also proposed a public resource corporation involving natives and non-natives in development. Mr. Porter suggested that such a corporation would provide Yukoners with the right to earn — and he stressed the word *earn* — equity participation in resource development.

An important question, of course, about major projects is — at what price?

The projects which are the direct concern of my ministry are those on or under Canadian lands north of sixty or those, like the Arctic Pilot Project, to transport natural gas by ship to Canada's east coast. These projects will have a direct impact on native communities, many of which are also involved in comprehensive land claims.

The basis of the Indian and Inuit claims is that their forebears lived on the land and used it for thousands of years. Over the centuries, their attachment to the land has been unbroken. They continue to claim the right of access for building their homes and for their hunting, trapping and fishing.

The rights of native people must be respected. In this, we are guided by considerations of fairness and equity. The native people are concerned about their present and future communities and their traditional livelihood. They, too, want northern development, but not at the price of destroying their homes, culture and lifestyle. They must share in, and be part of, northern development.

The government recognizes that native people have rights that cannot be merely "bought" with financial compensation. Timely claims settlements must also affirm cultural integrity and assure participation in development and the Canadian community. That means native people will not just receive the crumbs left over from development. They must be accepted as partners who are willing to take risks and expect to receive the benefits that risk-taking implies.

This kind of understanding lies at the heart of our determination to balance resource development with the legitimate aims and aspirations of the native people.

We are now actively negotiating claims with three of the four major native groups in the north. These include the Council for Yukon Indians, the Dené, basically in the Mackenzie Valley, and with Inuit Tapirisat, representing the Inuit of the eastern Arctic. As for the fourth, the Committee for Original Peoples' Entitlement (COPE), there has been a temporary pause in discussions.

This is not to say that projects cannot proceed without claims settlement. Some are. I believe there is a growing perception, among native people, of movement on the claims front. It results from the number of claims under active negotiation and the government's infusion of funds to support claimant groups' efforts at negotiation. This has instilled in native people a sense that they can look forward to partnerships, knowing that ours is not just a commitment of rhetoric, but of action.

This is critical. Any deceleration of momentum could destroy this confidence and polarize the communities of the north. It would cast us back a decade to the old stereotypes of pro- and anti-development, legal battles and acrimony.

It is clear that the federal government's presence in negotiations with native claimant groups provides assurances that would not otherwise be there. The courts have also played a role. In the landmark Calder case in 1973, the court prodded governments to take the native land claims seriously.

Since that time we have moved forward through the process of negotiations. We wanted to clarify the rules of the game in a way that would not be possible in a reasonable time through the judicial process. We believe this is in your interest just as in the interest of native people. Knowing the rules — something you need in business — also promotes good social and economic planning.

Let me quote from a speech made a few days ago by W.P. Wilder, president and chief executive officer of Hiram Walker Resources Ltd. I have heard the same thing expressed by many other business leaders in recent years. Mr. Wilder told the Canadian Club in Montreal:

> . . . the biggest single barrier to investment — whether it be the multi-million dollar investments called for by the energy industry or the smaller investments required in other industries across the country — is uncertainty.

The Norman Wells oil field development, a classic example of the reconciliation of different interests, and the inter-provincial pipeline construction that will link this field to the trans-Canada system in Alberta, provide good examples of the judicious balancing of development and native interests.

You are aware, of course, of the bitter controversy during the last decade over proposals for constructing a pipeline down the Mackenzie Valley. It was in part related to fears over possible destruction of communities, the serious impairment of a fragile environment, and the disruption of native lifestyles. But it was also a battle over economic power-sharing.

I recommended approval of this project to my colleagues. It was approved. Most importantly, it was unanimously endorsed by all the historically opposed interests in the north. What made all the difference was the agreement we reached last year to involve native people in a fair and equitable way in the Norman Wells oil field development and to delay construction of the pipeline for two years while the land claims of the Dené nation in the Mackenzie Valley are being negotiated. Esso Resources, however, is proceeding with preparatory work at the oil field.

So there is a cost to northern development. It is part of the balance between development and native rights which I mentioned a moment ago. That cost involves first, recognizing the aboriginal rights of native people and accepting a commitment to protecting the values and the lifestyle of native people; second, ensuring that northerners, and particularly native northerners, become true partners in development; and third, protecting the environment so that our sensitive and extraordinarily beautiful Arctic is not spoiled and communities will not be damaged.

I do not want to minimize the costs. They will be substantial, both in terms of the financial outlay and compensation and settlements of claims. I believe the claims will be in the billions. The native people are just as concerned about their communities as you would be if you were advised that an expressway or a hydro line were going to be built in your backyard.

But our commitment to reach fair and equitable settlements, and to safeguard the environment, will actually accelerate the process. Need I remind you of the Berger Inquiry, which was called because so little heed had been paid to the social, economic and environmental issues in the north. It is in the interest of all of us — in the north and in the industrial south — to pursue these goals.

I will quote again from Mr. Braden's remarks:

> With the negative 1977 National Energy Board decision on the construction of the Mackenzie Valley pipeline . . . the bubble burst.
>
> The territorial economy contracted and an atmosphere of doom and gloom descended on the north. Newly-constructed office space and houses sat empty. The tremendous buoyant real estate market collapsed and businesses failed. Many people left. Those in the territory who were not mobile, primarily indigenous people, were left without jobs or opportunity for gainful employment.

What rewards can we expect from these major projects? As far as northern residents are concerned, the rewards should include the opportunity to enhance and diversify their economy. Their aspirations are like ours — viable lifestyle and employment options for individuals and communities.

The native peoples and other northern residents should have the opportunity to participate in projects as employees, as managers and supervisors, as subcontractors, as shareholders and as owners. This kind of diverse economic participation by northern residents is already in place to a limited extent, and we must encourage more of it.

Experience with northern development will also give northern residents an opportunity to acquire a variety of new skills, which they will then be able to apply in other ways in their own communities and in other parts of Canada if they so choose. It will also expose them to management experience, which they will be able to transfer to their own industrial and commercial undertakings. This management expertise is already being developed, but it should be increased and enhanced.

As for national benefits from the major projects, we have already touched on some of them. They will, for example, allow us to move with greater confidence toward our goal of self-sufficiency in crude oil production at prices under world levels. Simultaneously, we must also keep in mind our goal of energy security.

Alsands is one of the projects we are counting on to help us reach that goal. It could replace up to 200,000 barrels of oil a day that we now import from politically unstable regions of the world. Alsands continues to be an important proposal, because you can't put a number on security. Nor should we forget the incredible stimulus to the collective Canadian imagination that a signal for starting up the Alsands would provide at this time.

The resource projects will also pay for major additions to the expensive infra-structure of the north, which in turn will increase our accessibility to other aspects of northern development. I am thinking of roads, schools, airports, housing, and new settlements. Once they are in place, they provide powerful magnets for tourism.

As well, the projects will provide significant new markets for our high tech industries.

As for regional benefits, we already have good experience in the sourcing of major projects which demonstrates that industrial spinoffs are not a pipe dream or a remote possibility.

In the case of the pre-build sections of the Alaska Highway gas pipeline, for example, Foothills Pipe Lines (Yukon), the project sponsor, has found sources for its requirements in all the regions of Canada. They are buying pipe, valves, turbines and other products in Ontario, Saskatchewan, Alberta, Quebec and other regions on the basis of timely delivery and competitive bidding. Nova, one of the principals of Foothills, has committed itself to following the same Canadian-content objective in building the rest of the pipeline in the north, and in developing its other oil and gas projects in the north and in the offshore.

Nova and its affiliate, Husky Oil, have established other guidelines which I would commend to other resource developers. Besides purchasing on the basis of competitive bidding, Nova and Husky feel it is important to establish a secure base of Canadian suppliers. They aim to buy from both large and small firms in all regions. In the process, more jobs will be created.

Over the next five years, Nova and Husky could be involved in more than nine billion dollars worth of energy projects in the Canada lands. They plan to buy ninety per cent of their goods and services from Canadian suppliers. The total going to Ontario will be more than a billion dollars. Nova estimates that the employment involved in supplying these goods and services will be 74,000 person-years for Ontario — or thirty-two per cent of the total required for Nova's projects — if they all proceed.

So these projects can benefit all Canadians. They will create technological advances that will be marketable worldwide. They will create thousands of jobs. They will establish the basis for a viable northern economy. But they will do this only if we establish and apply some basic rules and principles from the very start. The development of major projects on the Canada lands will be carried out under new rules of the game. They will be an improvement on the rules, or the lack of them, that applied in earlier times.

The first principle is fair and equitable claims agreements. Settlements will incorporate a fundamental rule, and that is that the native peoples must enjoy a genuine opportunity for participation in the projects that are built in their communities.

I have also mentioned environmental protection. Strong measures are essential here, too. In this there must be no compromise on standards or implementation.

The third rule, if we mention just three of the most important, is the one requiring substantial industrial benefit for Canada and for Canadians, resulting from the development of the north. More Canadian content is a controversial departure from our previous dependence on foreign ownership and management, but it is one which is supported overwhelmingly by the Canadian public. It was also endorsed wholeheartedly by the Blair-Carr task force. That task force recommended, among other things, more Canadian ownership, more regional participation, less red tape.

On behalf of the federal government, let me say that we endorse these recommendations. More than that, we are already taking measures to ensure Canadian equity participation, Canadian royalties, Canadian industrial spinoffs and Canadian jobs. We will continue to impress on private sector developers the need to meet the objectives of Canadian content.

One recent example of the kind of positive action we are taking as a government is the Canadian oil and gas act, proclaimed last month. This act contains several provisions which will promote the development of a Canadian-owned oil and gas industry in the Canada lands in the north and in the offshore seabeds. The act also gives the federal government powerful levers to help Canadian manufacturers, consultants, contractors and service companies. Under the act, Canadian firms will have a full and fair opportunity to participate competitively in the supply of goods and services in exploration, development and production activities. The act continues to provide excellent opportunities for foreign investment in the frontier areas. It also provides safeguards for the environment and the culture and lifestyles of the people in areas where resource development may occur.

Finally, let me say a word about some of the new players. In the development of northern resources, we will be seeing more of them as we move forward with the major projects.

At the Norman Wells project, Esso Resources Canada is already making opportunities available to northern residents, including the native population, in both employment and sub-contracting. I understand that Esso Resources Canada awarded nineteen out of twenty construction contracts last year to northern businesses. In addition, they are negotiating a joint venture company with the native organizations to participate in the Norman Wells development. Potentially this company will operate one drilling rig, one service rig and one 200-man camp. I would hope this is only a start.

When the government was authorizing the Norman Wells expansion project I insisted on a comprehensive package of development programs, costing more than twenty million dollars, over the duration of the planning and construction phases. I did this to ensure that the training objectives, job openings and business opportunities for northerners will be realized. With the full co-operation of Esso Resources, we were able to secure an overall commitment for 230 jobs when the complex is in operation. The majority of these jobs will be offered to natives and other northerners living in the Mackenzie Valley region.

During the construction other benefits will flow to northern residents. These include at least 240 jobs, and business opportunities valued at more than one hundred million dollars.

This is an example of one kind of partnership. Another is the investment by the Inuit Development Corporation in the Cullaton Lake gold mine, located about 483 km north of Churchill. The Inuit Development Corporation (IDC) was created by Inuit Tapirisat of Canada to initiate and develop investment and job opportunities in the eastern Arctic. The project principals are a Toronto mining group.

The Inuit Development Corporation borrowed about twenty-seven million dollars against its future land claims settlement, and loaned the money at cost to Cullaton to bring the mine into production. If the IDC exercises all of its options over the next four to five years, it will own about ten per cent of the company. Earlier I spoke about risk-takers. The IDC has demonstrated that it is willing to take risks. As an equity investor, it will take its share of the profits and losses.

The Inuit Development Corporation also has a contract to recruit non-management employees, and it expects that with training facilities it will be in a position at a later stage to supply supervisory and management personnel.

These are two examples of the kind of creative partnership that is possible for northern projects. They are not only a recognition of the needs and interests of northerners, particularly native northerners; they are also plain good business sense.

The bottom line is that in the north we now have a number of stake-holders of diverse backgrounds with a common interest in the major projects. We should use this common interest in the most productive way possible.

Ladies and gentlemen, Canada faces a formidable challenge in developing the north. The environment is fragile and hostile. The social relationships are complex.

Canada and the world need the resources of the north. In the short run our economy needs the stimulation that major resource projects can provide. The heavy and secondary industry in the south needs this stimulation now.

But not at any price.

Certainly it should not be at the expense of native people through the destruction of their economy and their culture. Nor is it worth the cost of a willfully destroyed environment.

It is the government's policy to support major resource development in the north to the benefit of all Canadians, but prudently and with the involvement and support of northern residents.

It is the government's policy to negotiate and settle the claims of native people in the north with fairness and equity, and as soon as possible. We believe that through this process — through claims negotiation — the rights of native peoples can best be protected. In this way they can become productively involved in northern development.

I believe it is in your interest to support us in the billions of dollars that may be required to settle the land claims. It is the only major impediment to getting on with these developments. I also believe it is in your interest to keep pressing for settlements that are fair for all.

Finally, it is my personal feeling, considering the acrimony that we have witnessed in this country over the last two years, that the north — with its tremendous potential and benefits to be shared — could unite us: Westerners, Quebecers and all Canadians. We all have a stake in the land north of the sixtieth parallel. Let us make it a constructive force for national unity.

The thanks of the club were expressed to the Honourable John Munro by Catherine Charlton, Second Vice-President of The Empire Club of Canada.

APRIL 15, 1982

Oil Markets: Their Impact on the Canadian Economy

AN ADDRESS BY Ross A. Hennigar,
PRESIDENT AND
CHIEF EXECUTIVE OFFICER,
SUNCOR INC.

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: During the past few years the business environment for the oil industry in Canada has been one of unprecedented change. The provisions of the National Energy Program, energy conservation, fuel substitution and the current so-called oil glut have all had a significant effect on the oil industry.

Today The Empire Club of Canada is pleased to welcome as its guest speaker Mr. Ross A. Hennigar, President and Chief Executive Officer of Suncor Inc., who will speak on the subject of the oil glut and its significance to Canada.

A native of Halifax, Ross Hennigar received his schooling in Montreal, graduating from Mount Royal High School and later from McDonald College of McGill University where he received a Bachelor of Science degree. He also holds a certificate in personnel administration from McMaster University which he earned through attendance at evening classes, and he is a graduate of the advanced management course at Harvard University.

Mr. Hennigar joined Sun Oil Company in 1967 as manager of the industrial relations department. In early 1972 he transferred to Sun Oil Company of Pennsylvania, where he was the manager of employee relations and one year later the manager of human resources. He returned to Canada in June 1974 to be the Senior Vice-President of Sun Oil Company of Canada and in December of the same year he was appointed President. He was elected deputy chairman of Great Canadian Oil Sands in May 1977. With the amalgamation of Sun Oil Company and Great Canadian Oil Sands in August 1979, Mr. Hennigar was named President and Chief Executive Officer of the new company, Suncor Inc.

In addition to his responsibilities at Suncor, Ross Hennigar is active in numerous non-profit organizations and community service groups. He is a director of the Ontario Chamber of Commerce, President of the greater Toronto region Boy Scouts of Canada, a director of Rosseau Lake Boys School and a past president of the Western and District Personnel Association. When he is not busy with his company or his community projects, he sails, swims or cross-country skis. He is married and has three children.

Ladies and gentlemen, I am honoured at this time to present to you a leading Canadian businessman, the President and Chief Executive Officer of Suncor Inc., Mr. Ross A. Hennigar.

MR. HENNIGAR:

Mr. Chairman, Reverend Sir, honoured guests, ladies and gentlemen: It is with a measure of personal pride that I address The Empire Club of Canada today on the eve of a very important milestone in Canadian history. As the repatriation of our constitution draws near, I would be remiss if I did not acknowledge the importance of the Empire Club as a forum to discuss our nation's affairs. For almost eighty years this club has served as a Canadian institution, dedicated to the interests of Canada and the Commonwealth in partnership for peace and progress with our friends and allies throughout the world. In the next eighty years and beyond, although the face of the Canadian nation may undergo change, I am confident that this institution will continue to serve as a positive force in our society.

I would like to talk to you today about oil markets and their impact on Canadian economic policy.

This will not be another dissertation on the need to free our industry from government regulations so that we can pursue that elusive goal of self-sufficiency. Rather, I would like to look at some of the implications of making oil the crucial pivot for our national development and fiscal strategies.

There is no arguing that oil is closely linked to our way of life. It supplies the unprecedented personal mobility which draws the line between our society and the rest of human history. It governs our agricultural production and distribution as pesticides and as fuel. It is the base from which we have produced a revolution in plastics and chemicals. The economic developments of the past eighty years are, in large part, a commentary on our evolving use of oil.

As its usefulness has grown, so has its economic and political significance. The supply of oil has become a key geopolitical concern. Nations have directed increasing attention to securing it and committed a growing percentage of their resources to paying for it. Oil has become a crucial factor in foreign policy and in financial markets. It is also becoming an enormous source of public confusion and outright disbelief.

In the past several months, we have asked the Canadian people to accept some extraordinary shifts in thinking.

First, that there is a huge, world glut in this resource which governments have been pleading for us to use sparingly and even paying us to conserve or replace with other forms of fuel because shortages were to be expected.

Second, that oil prices are falling after a tenfold increase over the past nine years and assurances that they would continue to rise forever.

Third, that OPEC may now have lost control of its markets when, for the last nine years, we have been told that it is the world's most powerful and successful cartel.

Fourth, that our industry here in Canada is in need of a billion or more dollars annually in tax relief after Canadians had been persuaded by public officials and the media that we are outrageously profitable and that our earnings should be investigated and taxed away. Alberta's royalty revisions announced yesterday acknowledges the case that the oil industry has been making since last September.

And finally, that we may have to scrap the September 1 price agreement between Ottawa and Alberta just months after achieving it.

Canadians can be forgiven for shaking their heads in disbelief.

Some not easily answered questions begin to emerge. Is self-sufficiency still a realistic goal in a world now flooded with OPEC production? Will this glut last or is it a short term phenomenon? What is the future of a national industrial strategy based upon energy megaprojects? And will Canadians soon pay less for oil products as consumers now do in the U.S.?

These questions were not being asked last fall. Anyone who had asked them would have been sent somewhere for observation. We are asking them today and finding no firm answers because we can no longer pretend that government policy can set oil prices or nail down the supply. We are asking these questions today because Ottawa has tied its star to rapidly rising oil prices.

Last fall, Ottawa stepped gingerly toward the world price in its agreement with the Alberta government. There was to be a new and higher price schedule for old oil, with most of the increase paid as taxes into government coffers. And there was to be a new oil price schedule with somewhat more attractive netbacks to producers. Both schedules were directly or indirectly related to the world price which was supposed to rise in real terms at the rate of two or three per cent per year. This increase was to generate significant new revenues for federal and provincial treasuries and somewhat more modest gains for our industry. Thus, Ottawa tied its fiscal future to OPEC. As long as OPEC could keep ahead of inflation, Ottawa could keep ahead of its deficits. And who doubted the power of OPEC?

Well, today, those doubts do exist. Not that OPEC is about to disappear. Personally, I don't have much faith in those experts who are projecting twenty dollar oil. Thanks to the self-discipline of Saudi Arabia, OPEC is alive and well and still a significant force in oil markets.

But, the cartel's share of world markets is declining. And consumption seems to be on a downward trend. The result is that OPEC may not now have the power to keep prices rising in real terms. In fact, we can probably expect some erosion of prices in real terms over the next several years.

This has some very serious consequences for Canadian energy policy. The federal/provincial price schedule for new oil is now out of date. It has been overtaken by events just four months after it was announced, as Alberta has recognized.

It now appears that we may be entering into a new era for our oil markets, an era of better balance between supply and demand. If this is so, then price increases will be much more moderate than they have been in the past decade and, in fact, there will even

Ross A. Hennigar, President and Chief Executive Officer, Suncor Inc., with Empire Club President S. F. Andrunyk

be periods of decline. We are rediscovering that oil is a commodity. And like any commodity, the price, the supply and the demand interrelate.

The gap between the current situation and the events of last fall is seven months by the calendar but it spans several generations of economic thought. In the medieval world of last summer, governments were confidently setting prices. In the brave new world of the spring of 1982, the market prevails.

The oil market may be imperfect, to use an economic term. In other words, there is certainly not a state of perfect competition among a multitude of buyers and sellers free to negotiate a price. But the market works, nonetheless. The only way OPEC can maintain its official contract price of thirty-four dollars U.S. is to cut back production. That is what they have decided to do and so they are producing much less than they would like to. Some economists believe that at least eight of the thirteen OPEC countries are now running significant budgetary deficits as a result. Imperfect though it may be, the market is having its effect, turning high prices into lower demand and increased supplies of energy, including oil.

Saying this makes it sound like a simple matter. But in fact, the adjustments are enormous. OPEC's crude production last year declined by twenty-three per cent to approximately 22.5 million barrels per day. This was the sharpest drop ever recorded. Actual production levels were the lowest since 1969. In any industry I know of, that's a depression.

The full magnitude of what is happening can be assessed by going back to 1977. In that year, OPEC's exports reached a peak of thirty-one million barrels per day. Today, the cartel's stated ceiling is 17.5 million barrels and some analysts believe an even lower level may be needed if OPEC is to bring down supply sufficiently to maintain its official price. We can therefore conclude that the cartel's production has fallen by almost half in less than five years.

Some of the problems undoubtedly relate to a high level of oil inventories. Earlier this year, the western world held supplies equivalent to 110 days or more of consumption, about twenty per cent higher than usual. We have been drawing down these inventories and this has contributed to slackening demand for new production.

Economic recession is another important factor. The European economy has been seriously below par for two years while North American output has fallen at a precipitous rate since last summer.

Both of these factors have contributed to an oil surplus. But the current glut also reflects a more fundamental change.

In 1973, when the oil embargo occurred and prices increased four-fold, consumers went on with their lives as if nothing had happened. We still drove big cars and heated our homes the same as we always had.

But in 1979, when prices doubled and shortages were expected as a result of the Iranian revolution, North Americans began to wake up. The United States quickly moved to decontrol its prices so that the full effects of OPEC policy were borne by the average consumer. This policy created a downward trend in oil consumption by stimulating conservation and the switch to other fuels, notably natural gas. North America has more than enough gas to meet its own needs for the foreseeable future.

Until the current recession ends, we cannot know exactly how much we have actually managed to curb our appetite for oil. But it is certain to be considerable, even here in Canada where prices have lagged behind the rest of the industrialized world. The National Energy Board has estimated that we consumed about 150,000 barrels of oil per day less in 1981 than we did in 1979.

In the United States, these trends have already led to a significant number of refinery closings, many of them permanent. Here in Canada, the downturn is not as pronounced but a number of the majors have cut back staff in their downstream operations and refinery closings are certainly a possibility.

It has taken the American consumer just three years to get even with OPEC. Faced with high oil prices, they have proved to be more flexible than anyone had thought they would be.

Now, if the U.S. had followed Canadian policy and subsidized its consumers, the story might well have been different. But the Americans had the courage to face their situation squarely.

In this country, we do not seem to have the same confidence in market forces. Even two years ago, responsible officials were saying that higher oil prices would not necessarily lead to reduced consumption.

They argued that oil was so intrinsically a part of our life style that we would never manage to reduce its hold on us. However, now I think we can see quite clearly that prices do work.

At three dollars a barrel, it made no sense to cut consumption or search for alternatives. At thirty-four dollars per barrel, the alternatives looked pretty good and we have begun to take advantage of them.

OPEC has been slow to react to these developments and that is why a surplus has occurred. Last month, the spot market actually hit twenty-seven dollars and some experts were predicting the end of OPEC. Since then, production has been cut and prices have begun to firm up. Later this year, with inventories down substantially, I think we can expect to see the spot price move up over thirty dollars and perhaps beyond the current thirty-four dollar official marker. If economic growth resumes, prices could surge higher. At that point, I would expect the cartel to take the opportunity to produce more oil.

Now the question is, what impact will oil markets have on Canadian economic policy? Should we abandon our search for self-sufficiency? Should we proceed with mega-projects like Alsands?

In my view, we need substantial revisions to the National Energy Program to readdress these questions. Premier Lougheed has already announced his government's royalty revisions. But we needn't go back to the beginning. In the agreement of last September, governments demonstrated an ability to compromise. And they managed to formulate a five-year agreement in response to the requirement for fiscal stability. These were important achievements. There are some other features of the NEP that are well worth keeping.

For example, I do not believe we should abandon the goal of self-sufficiency. Surely we have learned from the past decade that we do not want to be vulnerable to Middle East politics or OPEC policies. It would be just as much a mistake for Canadian policymakers to assume that oil prices will continue to fall as it was to think that they would sprint ahead forever. Prices will turn up again. Our national energy policy needs to be shaped around rational analysis of the long term rather than the spot price in Rotterdam. And our planning will have to assume price fluctuations.

The spot price is a leading indicator but it represents only a small amount of the oil flow. Therefore, its highs have tended in the past to be well beyond the reach of long term contracts. Similarly, spot market lows will not be realized for the bulk of OPEC's production. We need the maturity, in both business and government board rooms, to steer a middle course between these extremes.

I remember a stock broker friend of mine who described the behaviour of his clients as a balancing of fear and greed. When prices are going up, they forget experience and suddenly believe that everything is going up forever. And then, when the markets turn, they stampede to the exits fearful that their favourite stock is going through the basement floor. We have seen the same cycles in residential real estate here in Toronto, in gold and, most recently, in oil. Let us try to remember the events of the past few months when, in the future, oil prices start to move up again. And let us remember that they *will* go up, just as surely as the sun will rise tomorrow.

One need only look at the producers of base metals — of copper, lead and zinc — to see that there are businesses making long-term billion-dollar investments despite price swings that occasionally make their efforts uneconomic. We will need the courage to do the same.

Governments must also have courage — courage to allow our industry to have the peaks as well as the valleys. For two decades, the oil industry in this country did not make very much money. In fact our return on capital lagged behind other key industries. Suddenly, as oil became more valuable, we were faced with new taxes which siphoned off the income that rewarded us for the years of big investments and low returns. It was a case of "Heads I win, tails you lose." Rather than waiting for the cycle to turn, governments stepped in and took what they considered to be our excess profits.

If governments do not have the forbearance to allow us to keep the profits that we make, then we might as well build tar sands plants on the utility model with a guaranteed rate of return — a failsafe method which also protects the inefficient. If we are asked to continue the present model — of taking risks but losing the advantage of upswings in the market — no more projects like ours will be built.

Our oil sands project was conceived and built during the sixties when our view was that world oil prices would ultimately increase substantially. Our timing was out by several years, during which the plant piled up operating losses of almost a hundred million dollars, or about half its cost, trying to make the new technology work.

When world crude prices rose dramatically in 1973, the Canadian government decided to hold domestic crude prices down and hence our production was denied the world market revenues for several years. I am pleased to say that today, through a series of policy reviews, the plant is once again receiving the equivalent of international prices. But the point remains. Owners and developers of most long-term projects cannot justify the risks in an atmosphere of limited rewards. It takes a level of confidence and the possibility of enjoying substantial rewards to justify such major risks. It takes returns of thirty and forty per cent on some projects to balance all the dry holes and the new ideas that died.

Recently, public opinion has been so assured of our industry's profitability that everyone thought it was the way it had always been and always would be. The media spread the impression we were reincarnations of King Midas. Now everyone can see the other side of the equation.

Every business has risk. And nothing is golden forever. The bigger the profit, the greater the risk required to produce it and the more certain that the market will eventually offset it in the future.

Will this lesson now be learned? Perhaps the implications are great enough to drive it home.

Certainly, oil is not going to do as much for our government's budgetary problems as some people had expected. Ottawa had expected to raise about fifty-four billion dollars in oil revenues over the five years ending in 1986. Estimates of the shortfall now range from ten billion on up. The revenue-collectors in the federal government must have a little of the OPEC feeling today.

Taxation will need to be redistributed. Both federal and provincial governments are now actively engaged in the search for new revenue opportunities. I leave you with the uncomfortable question of who may be next?

But perhaps governments have learned that too many eggs from one basket may bring on the exhaustion of the favourite hen. Last year, our cash flows were already plummeting under the weight of fiscal requirements. This year, exploration and production expenditures will drop substantially.

There are other unresolved issues, like the Alsands project. Personally, I hope it will be built . . . someday . . . by private enterprise, when the price and profit forecasts are right.

And I think it should be built for the impact it will have on our self-sufficiency. Perhaps, for a project of this magnitude, we should consider the utility concept of a guaranteed return, although I would be concerned about whether or not there would be enough incentive to control cost escalations — especially for this type of project which is so vulnerable to inflationary factors. I hope Alsands will not be built entirely by governments as a make-work project to revive our economy. That would only introduce further subsidies, requiring yet more distortion of our tax and pricing systems.

To sum up, a national economic strategy based upon energy-related mega-projects is probably not realistic today. Nor should we plan our future around a single commodity.

Where are we and where are we headed?

I think it is fairly clear that we need to revise our national energy program. Self-sufficiency should remain our goal but the timetable for achieving it should reflect lower OPEC pricing over the next several years.

I think we should seize the opportunity offered by a downturn in international prices to move all Canadian production to the international price and reapportion the revenue. One good, stiff dose of reality, ending consumption subsidies, will get us on track with our major trading partners.

We should lower energy taxes. The strike of gasoline retailers in Quebec is a clear signal that taxes are out of line. Here in Ontario, until Tuesday's Alberta announcement, sixty-eight cents of your gasoline dollar was going to governments. The burden needs to be redistributed. And whatever new policies are developed, our industry needs to be given an assurance that the deal will apply equally to good times as well as to bad.

With these changes, I believe the oil industry will offer opportunities. It will be a tough, low margin business, especially in the refining and marketing areas. It will be very competitive. But there will be a good return for the people who do it well.

That's my perspective on oil markets and their implications on April 15, 1982. But stay tuned to this station. It may all change tomorrow and likely will. That's what makes the oil business exciting.

The thanks of the club were expressed to Mr. Hennigar by Colonel R.H. Hilborn, a Past President of The Empire Club of Canada.

APRIL 22, 1982

Policing in a Free, Democratic and Liberal Society

AN ADDRESS BY Commissioner Robert H. Simmonds,
ROYAL CANADIAN MOUNTED POLICE

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: Last Saturday, Her Majesty Queen Elizabeth the Second, Queen of Canada, proclaimed Canada's new constitution. The Empire Club, dedicated to promote the interests of Canada and the British Commonwealth, takes pride in this historic event and salutes the generations of Canadians who have worked together to create this great nation of ours.

It is indeed a happy coincidence that our first speaker after that notable event in our history should be the head of a world-renowned Canadian institution that over its 109 year history has made an immensely significant contribution to our nation's development.

You will recall that it was 115 years ago, in 1867, that the confederation of the British North American provinces into the Dominion of Canada was achieved. Less than three years later, in 1870, the Red River settlement became the new province of Manitoba and in 1871 British Columbia became a province as well. Lying between these two new provinces was the region known as the North West Territories, the hunting ground of a number of tribes of plains Indians who were valiantly trying to defend their land against the invasion of settlers and adventurers. To help bring a peaceable settlement in the area, a Privy Council order was passed on August 30, 1873 establishing a corps of mounted riflemen named the North West Mounted Police. Less than a year later some three hundred officers and constables of this newly formed force rode into the Territories to keep law and order. In the long and illustrious history of the North West Mounted Police, later the Royal North West Mounted Police and since 1920 the Royal Canadian Mounted Police, law and order have been kept in a highly professional manner.

As the sole federal law enforcement agency of Canada, the RCMP is controlled and administered by a minister of the Crown. From its central headquarters in Ottawa the operations of the force are directed by a Commissioner who oversees the seventeen divisions of over ten thousand officers and civilians. In federal matters the RCMP covers the entire country. In provinces where it also serves as provincial police, enforcing the laws of the provinces and the criminal code, it can by special agreement police towns and municipalities.

Today The Empire Club of Canada is honoured to welcome to its podium the Commissioner of the RCMP, Robert H. Simmonds, who has held that post since September 1977. Born in Hafford, Saskatchewan, a village of five hundred situated some hundred kilometres north-west of Saskatoon, he completed his high school in that province. At the age of eighteen, in December 1944, he joined the Royal Navy Fleet Air Arm and served until his demobilization in October 1945.

He entered the RCMP in early 1947 and after completion of his basic recruit training at Regina he was posted to Edmonton on highway patrol duties. In the ensuing eighteen years he rose to the rank of Staff Sergeant, serving at detachments in several Alberta communities. He was promoted to commissioned rank in 1966 and since that time has served in a number of senior appointments in British Columbia and Ottawa. Commissioner Simmonds also holds the post of Vice-President for the Americas in the International Criminal Police Organization (Interpol) to which he was elected at the 78th General Assembly held in Nairobi, Kenya in 1979.

Ladies and gentlemen, it gives me great pleasure to welcome Commissioner Simmonds to The Empire Club of Canada and to invite him to speak to us on policing in a free, democratic and liberal society.

COMMISSIONER SIMMONDS:

Ladies and gentlemen: I am pleased to be here this afternoon, although I admit to slight surprise that you would wish to hear from the Commissioner of the Royal Canadian Mounted Police, an organization that keeps so low a profile and one that is so seldom the subject of public comment.

Furthermore, in reviewing your list of previous speakers, I note that you are generally favoured with comments from people who are in a position to have considerable impact on public policy, locally, nationally and internationally. Frequently, also, it seems to me, your speakers have a great interest in being elected, or re-elected, to some office or another. Just let me assure you that my potential for impact on matters of public policy is not high, and I certainly am not in the business of trying to get elected to any office, because in my role I do not play the political game at any time. Nevertheless, I welcome this opportunity to put a few of my thoughts on record.

Since being appointed Commissioner of the force in 1977, I have received two previous invitations to appear before you — in 1978 and again last year. On those occasions I found it necessary to decline for several reasons, but one very compelling reason was the fact that during that time the force was deeply embroiled in public scrutiny through the medium of several commissions of inquiry, and had I come forward in an effort to set the record straight on some of the issues I would have been immediately set upon and accused of trying to influence public opinion, or enlist public support, before all the facts were in and thus interfere with the work of the commissions.

Furthermore, had I tried to put an objective and fair interpretation on certain facts that at times were reported, in some circles, in such a shockingly distorted and biased manner, it could have appeared that I was also defending certain other actions and policies that in my view were not defendable, and that I was busy cleaning up in exercising my responsibility as Commissioner of the force. Thus, had I appeared too defensive, it would have weakened my ability to influence responsible change within the force and within the circles of government in which I must operate.

I must say, though, that during those years there were times when I was sorely tempted to fire back in defence of the force and its members, when the reporting of certain incidents was totally lacking in objectivity, when interpretations badly misrepresented the force's position on a number of issues, and certain accusations and innuendoes which suffered totally from the lack of a factual base were left in the air. I now feel that my decision to work aggressively within the system, and as far as possible to avoid public confrontation over some of the more outrageous condemnation and deliberately slanted comment was the right one, particularly so because throughout I was continually receiving rather strong signals that public confidence in the integrity of the force and its mission remained at a high level.

Perhaps you will forgive me if I just add that I take considerable pride in the fact that members of the force, a force that is largely made up of committed but really rather young Canadian men and women, never let down one bit during that protracted period of criticism and (at times) condemnation. In fact during that time some of the most significant cases that the force has ever had to contend with were developed in a highly professional and competent manner, to say nothing of the thousands of more routine matters that were handled as a matter of course in delivering a police service at the federal, provincial and municipal levels.

I was often asked by journalists, and others, about the state of morale in the force in the face of all the adverse comment. It was never an easy question to answer because a person's morale is such a variable circumstance, one that is influenced by many factors on a day-to-day basis. But if one measure of the morale of an organization is its willingness to respond to public need, and its commitment to meet without equivocation even the most difficult and hazardous tasks, I can only judge that the morale of the force remained at a very satisfactory level throughout. When all is considered I hope that fact gives you some reassurance about the strength and quality of the force and its members, because it certainly did to me.

Now before I stray entirely from the past, and lest my comments to this point leave a wrong impression, just let me add that despite the agonies and at times the unfairness of the process, I happen to believe that the commissions to which I have alluded were necessary. Canadian society has been evolving quickly over the last few years and the need for a fundamental review of security and policing issues was perhaps overdue and inevitable.

Not everyone will agree with either the process or the results, but certainly it got attention. Hopefully, there will be a number of reforms and an assurance that the police and security agents of the country (I am not going to say of the government, but rather of the country) are doing that which is required on behalf of the nation, in a completely acceptable fashion, and with a broad foundation of public support that is based on an enhanced knowledge of the issues and problems, so that when crises develop and difficult cases come along they can be judged in a better light. And I can assure you that from time to time difficult and controversial cases will come. The very nature of our work assures that such is inevitable when you consider what we have to contend with.

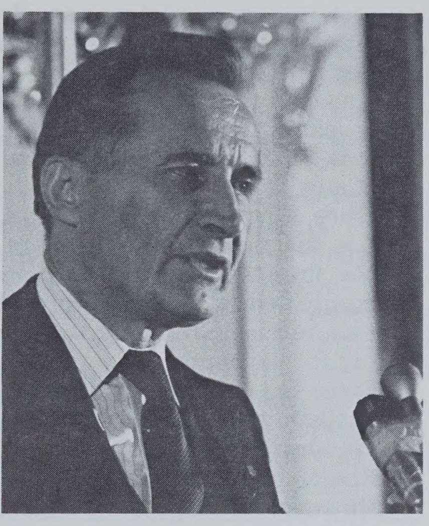
Likewise, I recognize the essential role of the media in getting all sides of an issue before the public. I do, however, subscribe to the necessity of accuracy and objectivity on the part of that very powerful and yet very necessary instrument in an open and democratic society, and despite my earlier comment with respect to the reporting of some issues, it is my assessment that on balance this test was quite well met by a considerable portion of the public media.

Thankfully, the period of examination is now behind us. I am not going to dwell further on the past but wish now to say a few words about some current issues that will surely impact on the future.

It is very topical these days to speak of "police powers" and some voices tend to give these two words an almost sinister connotation as though they represent some sort of draconian authority that hovers over good citizens ready to pounce at the slightest indication of deviation from some rigid set of rules governing human conduct. I don't even like the expression "police powers." Rather than talk about "police powers," I prefer to think of the authority that has been given us, the instruments that society has put in the hands of their agents, the police. Society has entrusted the police with the responsibility of ensuring the maintenance of public order and the protection of ordinary citizens from those who would prey upon them.

Thus it seems to me that any discussion concerning the authority that the police need to carry out the responsibilities that have been given to them must be against a background far broader than that which is often voiced by those who argue only for almost unbridled individual freedom and liberty. It strikes me that those who speak most loudly in support of individual freedom and liberty spend little time speaking of the converse requirement if a society is to function truly democratically, and that is the need for every individual to exercise a high degree of responsibility toward his fellow man. The more that individual freedom is guaranteed, the more essential it is that the recipient of these freedoms exercise a high degree of responsibility for his actions, and the more important it is that society be able to exact a degree of accountability from those who abuse those freedoms and the rights of others. If the two are not well balanced, free society would soon deteriorate to anarchy where only those most able to protect themselves would prevail. Therefore, in discussing the authorities that the police need to attend to their responsibilities, other much broader questions must be asked in order to keep the issue in perspective and maintain the balance to which I refer.

If you accept that the purpose of the law is to allow men, despite their somewhat quarrelsome and perverse nature, to live as far as possible in harmony with one another, and thus allow society to progress while individuals go about their affairs in accordance with their own desires and abilities and without undue fear of being victimized by those who choose not to apply themselves in a responsible manner, then the need for the enforcement of the law, and the need to call to account those who breach it, becomes apparent. The question is, how do you go about it? Different countries have evolved different principles and traditions to deal with this difficult question.



Commissioner
Robert H. Simmonds,
Royal Canadian
Mounted Police

In deciding if the Canadian system is good or bad, adequate or inadequate, it is necessary to consider what is done in other jurisdictions. I will not dwell upon some of the more primitive customs that are still in vogue today, in 1982, in some parts of the world. Just let me comment that in some very advanced societies, with a long history of legal tradition, it is still accepted that once a crime has been committed and an offender identified, the onus is immediately shifted to that individual to establish his innocence as the presumption of guilt is quickly assumed. In a number of other countries, a suspected or accused person can be taken before a magistrate where he is compelled to answer questions with respect to his conduct and he does not have the right to remain silent, nor the right to perjure himself without penalty. In many countries custody, as opposed to the freedom of bail, is the norm, no matter what the offence or the duration of the proceedings. While the right to counsel is now almost universally accepted, in many jurisdictions that right is severely limited by the accused's ability to pay for it.

So against these well entrenched legal traditions in many parts of the world, along with several other variants, what is the Canadian situation?

In Canada:

- Once a suspect is identified following a crime he has the right to remain silent. At no time during the investigation or court proceedings can he be compelled to say one word against his own interests, nor is he required to give any sort of accounting for his conduct.
- Since the Criminal Code amendments of 1974, the availability of bail in all but the most serious of circumstances is virtually assured. With our very liberal bail provisions, the desire on the part of the accused to proceed quickly to trial is a thing of the past, and for a very good reason, because the longer the delay the more the Crown's case weakens. Unfortunately, sometimes in cases involving highly organized and violent criminal activity, witnesses and evidence are lost for all time.
- The availability of legal assistance for the defence of a criminal is assured in Canada, often through the medium of legal aid. Thus, at least indirectly, a victim may well contribute to the cost of the defence of the person who took advantage of him in the first instance.

Now I am not speaking out against the absolute right to remain silent, nor am I being critical of the nearly unfettered right to bail, nor that clear right to legal defence and so on. Indeed I take some pride in being the citizen of a country that is fundamentally secure and mature enough to be able to afford such rights, and progressive enough to pass them into law. But what I am saying is that because these entitlements do exist for the wrongdoer, we must carefully consider what instruments are necessary to ensure that when a citizen is fraudulently or brutally victimized, the perpetrator can be effectively called to account through the justice system.

We can all be proud that in Canada we have developed a society that is really not too harsh, not too full of fundamental divisions between classes of people, a society that is really quite tolerant of divergent views and so on — but that is not to say that all is sweetness and roses. I take some alarm at the constantly escalating crime rate, particularly in the more serious classes of offences. I am not going to recite a litany of statistics, but the number of violent offences against individuals and institutions is to me very worrying, and to the victims of course very much more so. I am speaking of offences such as murder, assault, robbery, sexual attacks of all types, terrorist activity and a good deal of violent property damage. The perpetrators of these offences, although generally on the young side themselves, have no respect for the age, sex or circumstances of their victims.

Looking back over thirty-five years of police service, most of which was spent in field operations dealing directly with crime, I have seen many bizarre and shocking cases that clearly illustrate the depth of degradation and inhumanity to which man is capable of sinking. But even with that background I sometimes get chills today when I review the increasingly prevalent cases of cold-blooded and violent victimization of totally unsuspecting and ordinary citizens. There is a disturbing thread of harshness and cruelty running through much of this activity.

One more word concerning the crime picture, and that is the fact that a great deal of violent crime has its roots, one way or another, in the illegal traffic and use of narcotics. It is impossible to precisely measure the corollary between this terrible problem and all other criminal activity, but suffice it to say that it is substantial, and certainly it has a direct connection to much of the most violent and wantonly senseless crime. While I don't think for one moment that the answer to the drug problem lies solely in heavy enforcement, because the causes and thus the solutions lie somewhere much deeper in society, there is no doubt in my mind that while solutions are being sought a vigorous enforcement campaign is essential. The ability of the police and the justice system to deal with this problem is in need of strengthening rather than weakening. Therefore I say that not one authority that presently exists should be removed and indeed new authorities should be considered.

When I speak of the need for additional authorities, I refer among other things to the need for access to information that is stored in data banks maintained by your governments at your expense. Does it make any sense that your agents, the police, when you are threatened or victimized, should be denied access to critical information that is in the hands of other agents of yours, who happen to be employed in other departments of governments? After all, you pay for the whole spectrum of government activity and surely you want all segments to assist each other in dealing responsibly with the problems that affect you. Let us just think about a few examples.

What about medical records? Suppose for a moment that there is an aircraft in Canadian skies in the hands of a hijacker; its crew, along with perhaps a couple of hundred passengers, are completely at his mercy. Let us suppose that the identity of the hijacker becomes known. Perhaps it is realized that the individual has recently required medical attention due to some form of mental instability. Should there be any question at all as to whether or not the police should have access to any information that might assist in the successful negotiation with the hijacker and the eventual release and safety of all hostages involved? While this case may sound rather dramatic I have described a situation that could be all too real, and there are many other instances where common sense alone dictates the need for police to have timely and unfettered access to medical information when investigating serious crime.

What about taxation records? Should these records be so sacrosanct as to protect people who maintain themselves entirely through criminal activity? Not only is the citizen the victim, but as I said earlier he is supporting through taxes a legal aid program, while at the same time it can be assured that nearly all the lucrative profits from criminal activity are not being declared for tax purposes. Does it make any sense that tax and police agents should not have full and detailed access to records in order to deal with this type of rip-off and plunder?

What about the mails? Should the publicly funded postal corporation provide a totally secure communication network that will allow criminals, or perhaps agents of foreign governments, to scheme against an individual's interest, or the interests of the nation? In 1974 Parliament enacted what is known as the Privacy Act within the Criminal Code. That law made it an offence to intercept electronic communications. However it included an exemption for police investigations, whereby a judge could authorize the police to intercept communications upon meeting a test in which it must be demonstrated that serious criminal activity is taking place and that normal investigative techniques are not being successful. When the test is met the judge can authorize interception under prescribed conditions that ensure adequate supervision of this technique. Surely the same principle should apply to the mails, particularly as the interception of a letter under these controlled circumstances is even less intrusive of a person's privacy than listening to his telephone calls or installing a listening device in his place of business or his home.

I could go on with a number of other examples but I think you will now have the drift of the type of authority that I am referring to. But I would also say that presently existing authority should not be tampered with. Here I refer directly to the controversial issue of writs of assistance in the enforcement of the Narcotic Control Act. If there is to be a change, it should be debated in the light of the problem that has to be dealt with and not solely in the light of individual freedoms.

If my views with respect to the additional authorities that are needed to maintain the balance that I previously referred to are sound and supportable, it may bring some comfort to those who disagree with me to know that I also subscribe to the need for supervision to ensure that they are used only in proper circumstances. The type of supervision that I described a moment ago with respect to electronic surveillance is well accepted by the police and in my view it has served the citizens' and the nation's interests well. It could serve as a model to ensure that there is no abuse of any other authorities that need to be placed in your agents' hands for your protection.

I have recently read some criticism of the extent of the use of this technique. I cannot speak for all Canadian police forces in that regard, but with respect to the Royal Canadian Mounted Police I challenge the critics to show an instance where it was used without the authority of a judge of a superior court in accordance with Canadian law. And furthermore, if the cases are examined, I would just ask reasonable people to consider how else we could have dealt with the problem, bearing in mind the degree of protection and insularity criminals and criminal organizations can build around themselves in our eminently free society where many doors are closed to aggressive police investigation. Although I certainly respect the right of the critics to criticize, I cannot help but feel that some of their criticisms are at times based on a somewhat idealistic view of life and crime in this country.

It occurs to me that you may be asking yourself "Why has the Commissioner been talking to us in this vein at this time?" Let me tell you why. Like you, I have great respect for our democratic way of governing ourselves. Despite all its imperfections it seems to be preferable to any other system that can be found in recorded history. Fundamental to that system is a high measure of individual freedom to pursue our lives in the manner of our choice: the right to have different views and the freedom to express them publicly, the right to succeed no matter what our roots and conversely, I suppose, the right to fail if we choose not to grasp the opportunities that are placed before us. But also fundamental to our system is the necessity for each of us to respect the rights of all other well intended persons.

Against that somewhat idealistic background, I look at the reality of criminal and subversive activities today. It is clear that quite a number of people have opted not to accept their responsibilities concomitant to the freedoms they enjoy. I add to that the concerns that have been so loudly expressed in some quarters about inappropriate police activity at times of crises within the nation or when dealing with serious criminal activity. However, in this regard I would just like to say that despite a few aberrations, of which none of us is proud, the Canadian police perform to a very high standard of professionalism and conduct.

I say that with some knowledge and authority because as Commissioner of the RCMP and, for three years now, a Vice-President of Interpol, I have had the opportunity to discuss these problems at the political and most senior police levels in many parts of the world. I have had the opportunity to look first-hand at the problems and the reaction to these problems by government and police authorities in quite a number of jurisdictions. On each occasion I have learned something worthwhile, but on each occasion I have also found that my appreciation has been reinforced as to just how fortunate Canadians are to have the general standards and approaches to law enforcement that we accept as a matter of course.

Just last week our constitution was delivered to us. The Constitution Act contains within it the Canadian Charter of Rights and Freedoms for which I, and I expect all of you, have great respect. This charter enables sanctions to be brought against those who fail to meet its provisions, including, of course, the police.

With that background — our fundamental belief in the freedom of the individual, now even more solidly entrenched through the constitution, together with our concerns for the appropriateness of police activities, set against the reality of criminal activity in a sometimes hostile world — it is my view that a great deal needs to be done.

We have just come through a very long period of difficult examination, which is not entirely over yet as there are still matters before the courts about which I cannot comment at this time. It was a period of examination that was necessary, but in many ways it was unduly negative and burdensome, and extremely hard, not only on the organization but more so on a number of individuals who have been required to bear a burden that was at times unconscionable and wrong. It is true that in a few cases the actions of a few individuals went too far and are not supportable. But even in those cases it is clear that they resulted from over-aggressiveness in dealing with a very difficult problem, not from any motivation for personal benefit or other criminal intent.

These cases were clearly aberrations and when they came to light in the summer of 1977 I recommended that they be referred to the appropriate Attorney General for examination. Upon being appointed Commissioner in September 1977, I insisted that this take place and it was done. But to take those incidents and extrapolate from them that the force as an organization shows a general disrespect for the law and for the political institutions to which it must account is not a proposition that I can accept. It is simply not an accurate nor fair characterization of the force and I take some comfort from the fact that in the Government of Canada statement of August 25 last it was clearly stated that the government also rejected such a thesis.

I do not wish to rake over the old coals, or re-ignite the arguments. That is now behind us and being an optimist by nature I look positively to the future, but the issue is that a commission of inquiry came to certain conclusions based on its interpretation of the law, whereas the Department of Justice, our legal advisers, on their own analysis of the law and supported by independent and equally respected legal advice, came to some quite different views as to how the law should be interpreted.

That came as a great relief to me because these latter interpretations are the foundation for much of the policy that directs our operations. Also they enunciated the principles that have guided my actions over the last thirty-five years when at times my own neck was quite a long way out in trying to cope with difficult and sometimes dangerous problems that had been created by those who chose to live by criminal means and who had no regard for their victims. But even with that reassurance, what does it do to the policeman in the field who has to make fast and difficult decisions in carrying out the duties that you have assigned to him? He is well aware that among well respected jurists and lawyers there are opposing views as to the state of the law and thus of the limits of his authority, and he is now increasingly aware that if there is any indication, or suspicion, that he may have violated someone's rights he will be put through the wringer.

Simply put, I believe that the law must be made more precise in a number of areas. It must be made clear when and under what circumstances the law, as it applies to the everyday conduct of citizens, does not apply to the police in the course of investigating crime and subversive activities. Although the crisis has passed, these issues cannot be swept away only to await the next crisis.

I am happy to state that much is going on at both the provincial and federal levels and intergovernmentally to address these issues. But in the end it is my view that this must lead to a considerable amount of legislative activity. That will not be an easy process. It never is. But in this matter the difficulties will be compounded by the fact that there will be those who will take the view that any attempt to codify these issues will represent an extension of "police powers" and they will be prepared to lobby strongly, eloquently and emotionally to support their position. Such is their right. But it is equally important that the moderate and informed Canadian voice be heard. After all, it is your society.

After what we have been through, my commitment to the RCMP and more broadly to the Canadian police community has been, and is, to do all that I can to ensure that Canadian policemen can go about their daily duties with a minimum of uncertainty as to the limits of their authority, and at the same time seek those additional authorities that I think are essential if we are to be effective.

My objective is not to put more "power" in the hands of the police, but rather, only to try and maintain the balance so that all Canadians can enjoy to the maximum extent possible those rights and freedoms that are guaranteed to them unless they choose to disregard the rights of their fellow citizens. But it is not my view that the police should become the principal lobby for this change, and I say that for two very good reasons.

First, if we spoke out too loudly those who think differently would immediately label us as being reactionary, rednecked and insensitive in the area of civil liberties. That would be unfortunate because it would not only be a most inaccurate portrayal of Canadian police generally, but it would also stand in the way of our attempts to "build bridges" to all segments of the community — an area where much work has to be done.

Second, and perhaps more important, you will note that throughout my comments I have referred to the police as your agents. That is a very important perspective and one that goes back to the very beginning of organized policing at the time of Sir Robert Peel, when a police force was created to relieve the citizens of the onerous responsibility of having to do night rounds and attend to the public peace as part of their civic responsibility. Unfortunately, as police forces grew and became more professional, citizens increasingly backed away from this fundamental responsibility. Because they were to some degree closed, police forces tended to get out of step with community problems and sensitivities, and thus unfortunately a large gulf at times developed between citizens and their police. A lot is now being done to close that gulf. Hence the bridge building I referred to a moment ago. But fundamental to successful law enforcement is the perspective that in the end the police are the agents of the citizens. It is really up to the citizens, through the democratic process, to determine what it is that they expect of their agents and how much authority they are prepared to give them in order that their interests can be protected. Clearly, the agent should not set the standard by which the master should live. Therefore the police should never become lobbyists at the political level: professional advisers yes, lobbyists no. Setting the standards is your responsibility.

It is up to you to ask the fundamental questions. How much crime am I prepared to tolerate, how many risks am I prepared to take because I feel that everyone should be free to do their own thing? Under what conditions should those who violate other people's rights be required to give up some of their own? How effective do I want and expect our police agencies to be in protecting us from predators? Have the police, acting on my behalf, sufficient authority to deal effectively with those who threaten to harm me or violate my rights? If the police need more tools to deal with threats that worry me, under what conditions and controls should they be permitted to use them?

When you have considered these questions and come to your conclusions, your voice should be heard. My commitment and assurance to you is that we will operate strictly in accord with the authorities that you place in our hands, as effectively and professionally as possible, but always limited by the tools that you are prepared to provide us with. That is precisely why I have addressed you in this vein today.

The thanks of the club were expressed to Commissioner Simmonds by the Honourable Mr. Justice Joseph H. Potts, a Past President of The Empire Club of Canada.

APRIL 29, 1982

President's Report — Annual General Meeting

CHAIRMAN The President,
BGen. S.F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: Paragraph 2 of Article VI of the club's constitution requires us to hold an annual meeting no later than April 30th in each year, at which the report of the year's proceedings and work shall be submitted by the President. In the interests of time I do not propose to give you my report orally. It has been printed and copies have been placed before you.

I move the acceptance of this report and in doing so I want you to know how much I have enjoyed the past year and what a great privilege it has been for me to preside over this distinguished and historic club.

PRESIDENT'S REPORT

It is my great pleasure to submit this report on the proceedings and work of The Empire Club of Canada during the 1981-1982 season.

This year's speakers' program of the club strived to meet the purpose and object of the club which is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto. It is my belief that this purpose and object has been more than adequately met.

During the year Canada's business and political life has been dominated by prolonged and vigorous debates on the economy, the National Energy Program and, to a lesser degree, the constitution.

Speaking to the club on economic issues were the Honourable Michael H. Wilson, P.C., M.P., Progressive Conservative finance spokesman in the House of Commons; Carl E. Beigie, President of the C.D. Howe Research Institute; Stanley C. Roberts, President of the Canadian Chamber of Commerce; David W. Slater, Chairman of the Economic Council of Canada; John Bulloch, President of the Canadian Federation of Independent Business; Jean de Grandpré, Chairman of Bell Canada and Darcy McKeough, President of Union Gas Limited. At one of the best attended meetings of the season Lee Iacocca, Chairman of Chrysler Corporation, delivered a stimulating address on the automotive industry from the perspective of the current economic climate.

The National Energy Program and its effects on the Canadian oil industry were examined by such notable speakers as C. Geoffrey Edge, Chairman of the National Energy Board and Ross A. Hennigar, President of Suncor Inc. Hydrogen as an alternative energy source was the subject of an address by A.K. Stuart, President of the Electrolyser Corporation Limited.

Our distinguished speakers who chose to address the club on Canadian nationalism and matters bearing on the constitution included Mel Hurtig, President of Hurtig Publishers and S. Robert Blair, President of Nova, an Alberta Corporation. "Canada after Patriation" was the subject of an address by the Honourable Thomas L. Wells, Minister of Intergovernmental Affairs of the Province of Ontario.

Other matters of concern to Canadians did not escape the attention of our speakers. Peter Blaikie, National President of the Progressive Conservative party, spoke to an enthusiastic audience on government policies and their effect on Canadian society. Barbara Amiel, author and journalist, stirred the members with her views on Canada's complacent attitude with regard to repression of civil liberties and colonization efforts on the part of communist nations. Commissioner R.H. Simmonds, Commissioner of the Royal Canadian Mounted Police, addressed the club on policing in a free, democratic and liberal society. The work of Heritage Canada was the subject of Pierre Berton's address.

Dr. Larkin Kerwin, President of the National Research Council, informed us of some of the more exciting research projects being carried out by the Council and John W. Sandford, President of de Havilland Canada, spoke on the future of Canada's air industry.

Several prominent federal and provincial politicians addressed the club on matters of current interest to Canadians. The Honourable Jean-Luc Pepin, Transport Minister, spoke on federal transportation policies and the Honourable John Munro, Minister of Indian Affairs and Northern Development, outlined some of the multi-billion mega-projects being considered in northern Canada. The Deputy Premier of Ontario, the Honourable Robert Welch, filled in admirably for the Premier of Ontario whose address to the club was cancelled at the last minute due to illness. Robert Rae, federal Member of Parliament and the Ontario NDP leadership candidate, spoke to the club on his party's policies for Ontario.

The club was honoured to be addressed by two distinguished diplomatists whose countries have had a long and historic association with Canada. The Honourable Paul H. Robinson, Jr., United States Ambassador to Canada, addressed the club on Canada/U.S. relations and Lord Moran, British High Commissioner to Canada, spoke on the need for diplomacy.

Finally, Elwy Yost, Executive Producer TV Ontario, joins us at this Annual Meeting and will speak on Hollywood and the film stars.

The Christmas luncheon, honoured by the presence of the Honourable John B. Aird, Lieutenant Governor of Ontario, attracted the customary large attendance. A memorable musical program was presented by the Grenville Christian College Choir and Band from Brockville, Ontario.

The average attendance at our weekly luncheons was 274.

The membership of the club stands at 2,705 comprised of the following classes of membership: honorary members, 9; life members, 165; regular members, 2,392; spousal members, 139. This represents an increase of 129 from last year.

From a financial point of view, the club has had a remarkably successful year considering the reduced attendance at its regular luncheon meetings. A deficit of $14,000 was anticipated at the start of the year. However, by reducing mailings of notices to members from a weekly to a monthly basis and by the holding of special events the club will realize a net income of about $3,000 in 1981-82. Our audited financial statement will be included in our yearbook.

The Board of Directors met seven times during the year to discuss matters bearing on the club's operations and future direction. In December the board sponsored a dinner at the Royal Canadian Military Institute in honour of Dr. Reginald Stackhouse, the Immediate Past President, at which the Honourable John B. Aird was present.

I know that I speak on behalf of our membership when I thank the officers, the Past Presidents, and the Directors for the enthusiastic support and direction they have given to the club's affairs. In particular, it is my pleasure to recognize the contribution made by the chairmen of the standing committees listed hereunder:

Attendance:	J. A. William Whiteacre, M.M., C.D., Q.C.
Budget and Finance:	Ronald Goodall, C.A.
Christmas Luncheon:	George O. Stafford
Constitution and Legal:	R. Bredin Stapells, Q.C.
Head Table:	Montague Larkin, C.A.
Head Table Reception:	Charles C. Hoffman
Notices of meetings:	A. Carlyle Dunbar
Nominating:	Dr. Reginald Stackhouse, M.A., D.D., L.TH., PH.D.
Membership:	Douglas L. Derry, F.C.A.
Past President's Dinner:	Vladan Milic, B.ARCH., F.R.A.I.C.
Publicity:	Nona Macdonald
Reception:	Dr. Clarence B. Crummey, M.D., F.C.F.P. (C) Dr. James Parish, Vice-Chairman

My thanks are also extended to the officers of the club without whose dedication and assistance my task would have been impossible. The three vice-presidents have been particularly helpful as have been the secretary, the treasurer and the honorary appointments. I also wish to express my deep appreciation to every member of the board and to the distinguished Past Presidents whose friendly advice and guidance have been most helpful. My thanks also go to Major General B.J. Legge, the President of the Empire Club

Foundation, and the board members for their vital work of funding our yearbook.

I would be remiss if I did not recognize the work of our office secretary, Mrs. Eleanor Cook and her assistant, Mrs. Betty McAdam. Our accomplished pianist, Mr. Stanley St. John and our photographer, Mr. Murray McKercher also deserve our thanks for their contribution to the success of the club. In addition, I would like to record the club's appreciation to the management of the Royal York Hotel and to all its employees without whose assistance we could not operate as efficiently as we have done week by week.

Finally, permit me to express my sincerest thanks to each and every member of the club for affording me the unique privilege and the high honour of presiding over this historic club during the 1981-82 season.

All of which is respectfully submitted.

May I have a seconder for this report?

MR. GORDON STEELE:

It is my pleasure to second the report of the President and in doing so to thank him for its excellence.

The motion was carried.

BGEN. ANDRUNYK:

It is now my pleasure to call on Dr. Clarence B. Crummey, Vice-Chairman of the Nominating Committee, to present the report of that committee.

DR. CRUMMEY:

Mr. President, distinguished guests, ladies and gentlemen: It is my pleasure to report on the work of your Nominating Committee which was comprised in accordance with Article III of our Constitution consisting of the following members: from the Board of Directors — Dr. Clarence B. Crummey, the Honourable B.J. Danson, Brigadier General R.W. Lewis, Mr. J.A. MacNaughton and Dr. Reginald Stackhouse; from the membership at large — Mr. Peter Hermant, Major General B.J. Legge, Colonel R.H. Hilborn and Mr. W.M. Karn. Our President, Brigadier General S.F. Andrunyk, served on the committee in an ex-officio capacity.

The Honorary Officers of the club are: Honorary President, His Excellency the Right Honourable Edward Schreyer, Governor General of Canada; Honorary Vice-President, the Honourable John B. Aird, Lieutenant Governor of Ontario; Honorary Chaplain, the Very Reverend Ernest M. Howse; Honorary Secretary, Willis Blair; Honorary Treasurer, Marvin Gelber; Honorary Auditor, H.T. Jamieson; and Honorary Solicitor, the Honourable John P. Robarts.

Our Secretary will be J. Patrick Boyer and our Treasurer will continue to be Ronald Goodall. At the request of this committee, the Board of Directors established two new officers on our executive. One will be that of Archivist, the duties of the office to include responsibility for organizing and keeping permanent records of the club. The other will be that of Year Book Editor with responsibilities including the vital task of preparing our renowned annual record of the addresses given at our meetings. As Archivist we are pleased to nominate Mr. Leland Ausman who for many years was the Club secretary and as Year Book Editor, Mr. A. Carlyle Dunbar, a distinguished financial journalist.

According to our Constitution, the Board of Directors shall consist of forty members, including at least four Past Presidents of the club, one of whom shall be the Immediate Past President and three others shall be the three Past Presidents immediately preceding the Immediate Past President. It is the committee's pleasure to nominate our incumbent President, Brigadier

General S. F. Andrunyk, O.M.M., C.D., and also Brigadier General R.W. Lewis, C.D., Mr. John A. MacNaughton and Dr. Reginald Stackhouse.

Your Nominating Committee is happy and privileged to recommend unanimously that the following members of the Board of Directors continue to serve in the coming year: Mr. Setrak Adourian, Miss Sarah A. Band, Mr. Donald H. Carlisle, Mr. Robin J.T. Chetwynd, Mr. Jerry A. Collins, Dr. Clarence B. Crummey, M.D., F.C.F.P.(C), the Honourable Barnett J. Danson, P.C., Miss Lorraine Gotlib, Q.C., Mr. John D. Herrick, Mr. Charles C. Hoffman, Mr. Samuel F. Hughes, Miss Nona Macdonald, Mr. W. Malcolm McIntyre, Mr. Ian D.C. McPhail, Mr. Vladan Milic, Dr. James A. Parish, Mr. Leslie C. Parkinson, the Reverend Harold F. Roberts, Mr. R.A. Robertson, Mr. Harry T. Seymour, Mr. Gordon G. Steele, Lieutenant Colonel Hugh P. Stewart, C.D., Mr. Gordon W. Swayze, Mr. Terrence Tyers, and Mr. J.A. William Whiteacre, M.M., C.D., Q.C.

As new members of the board your Nominating Committee is pleased to nominate unanimously Colonel Paul A. Hayes, C.D., Commander 2 Air Reserve Wing, Mr. John P. Macbeth, Q.C., former Solicitor General in the Ontario government among other Cabinet posts, Mr. Michael A. Meighen, partner McMaster and Meighen, Barristers, Mr. Bruce Rankin, formerly with the Department of External Affairs at the Ambassadorial level, former Canadian Ambassador to Japan and now a business consultant with several leading Canadian corporations, Mr. Edward S. Rogers, Vice-Chairman and Chief Executive Officer, Rogers Cablesystems Inc., Mrs. Margaret Scrivener, Member of the Provincial Parliament for St. David, and Miss Lindsay Shaddy, lawyer and Corporate Services Adviser, Imperial Oil Limited.

In addition to the above-named nominees, your Committee also recommends the election of the following three persons who will be proposed to the board itself for appointment to the post of Vice-President: First Vice-President, Mr. Douglas L. Derry, F.C.A., Partner Price Waterhouse; Second Vice-President, Catherine L. Charlton, Sun Life Insurance Company; and Third Vice-President, Mr. Montague Larkin, C.A., Bache, Halsey Stuart Canada Limited.

Your committee is delighted to nominate as President of The Empire Club of Canada for its 1982-83 season, Mr. Henry J. Stalder, a senior banking executive in Toronto whose contribution to this club and to the community at large has been outstanding.

Mr. Henry Stalder, Vice-President, International and Representative of the Union Bank of Switzerland, came to Canada as his bank's representative in 1975 after a highly successful banking career in Zurich, Switzerland. He was so highly impressed with Canada that he became a Canadian citizen in 1978 and he and his wife and two children have now made Toronto their permanent home. He served in the Swiss Forces, graduating from the Swiss Military College and the Swiss Officers Staff College holding the rank of Major in the cavalry and the artillery. He is now an ensign in the 78th Fraser Highlanders.

Mr. Stalder is deeply devoted to Canada and the Toronto community as evidenced by his involvement in several organizations. In addition to his work with The Empire Club of Canada, he is a Director of the Empire Club Foundation, a Governor of the Canadian Opera Company and Chairman of Special Projects, a Past President of the Canadian-Swiss Cultural Association, the immediate Past President of the Swiss Canadian Chamber of Commerce, a Council member of the Royal Commonwealth Society, a sponsor of the NATO Staff College, and a member of the RCMI Speakers Committee.

For his humanitarian service he holds the award of Commander of the International Constantine Order and he is a Commander of the Order of St. Lazarus.

Ladies and gentlemen, I am pleased to place Mr. Henry Stalder's name in nomination for the Presidency of The Empire Club of Canada. Your committee is confident that he will provide the capable leadership that has been the hallmark of presidents of The Empire Club of Canada since its founding in 1903.

Ladies and gentlemen, that concludes the report of your Nominating Committee and I have the pleasure to move that this report of your Nominating Committee be accepted.

BGEN. ANDRUNYK:

Is there a seconder for the report of the Nominating Committee?

MR. JOHN W. GRIFFIN:

I am pleased to second the report of the Nominating Committee.

BGEN. ANDRUNYK:

It has been proposed by Dr. Clarence B. Crummey and seconded by Mr. John W. Griffin that the report of the Nominating Committee be accepted. Are there any further nominations?

MR. JOHN D. HERRICK:

I move that nominations be closed.

MR. A. CARLYLE DUNBAR:

I second the motion.

The motion was carried.

BGEN. ANDRUNYK:

I now ask our Secretary, Mr. Leland Ausman, to cast a single ballot in favour of those persons named in the report of the Nominating Committee.

MR. LELAND AUSMAN:

Mr. President, as Secretary and under the terms of Article III — 3 of the constitution of The Empire Club of Canada, I hereby cast this single ballot in favour of those whose names have been read by the Vice-Chairman of the Nominating Committee as members of the Board of Directors for 1982-83.

BGEN. ANDRUNYK:

I now declare those members properly elected as Directors of The Empire Club of Canada for 1982-83.

I am pleased to extend my sincerest congratulations to our President-Elect, Mr. Henry J. Stalder. I now pass to him the chain of office and I invite him to address the club.

MR. HENRY J. STALDER:

Mr. President, distinguished guests, ladies and gentlemen of The Empire Club of Canada: When an opinion of a man is formed, it is either too good or too bad. What I hear sounds too good to be true but when somebody — on one of these rare occasions — reminds you of what you did in the past then your only choice is to try even harder.

On behalf of all of us I wish to express our deep appreciation to Brigadier General Andrunyk for his great dedication and for a splendid year in the club's history. Your wit and wisdom will be remembered in your yearbook which will be added to those you see here in front of us. I thank you and all the past presidents in anticipation for the counsel and guidance I might well need in my year.

It gives me great pleasure to thank the Nominating Committee for proposing me, the Past Presidents for supporting me and you, the members, for endorsing me as your President for 1982-1983. I am deeply grateful for the honour bestowed on me and I feel the responsibility of my obligation towards this venerable club and the highly valued Empire Club Foundation. To live up to such a commitment any President needs each and every helping hand and all the support he can get. He needs you all.

Those of you who are here today, those in the television audience and all those fine people who are willing to share responsibility on the Board of Directors or on a committee are our allies and our partners in success.

The membership must keep us strong,
Although some join and just belong,
Some work with fervor, serve with pride,
While others use us for a ride.
Some volunteer to do their share,
But all too many do not care.
Some sleep at lunch, some stay awake,
Half of them give, the others take,
Some lag behind and let things go,
Too few help our club to grow.
Some push, some pull, some don't, some do,
It's *your* choice which of them is *you*.

In conclusion, would the distinguished Past Presidents and the new Directors please join me at the conclusion of this meeting to transact some business for the coming year.

BGEN. ANDRUNYK:

Thank you, Mr. Stalder, for those thoughtful words. I know I speak for everyone in this room when I say that you can count on our support in your new duties in which we wish you every success.

APRIL 29, 1982

Hollywood and the Movies

AN ADDRESS BY Elwy Yost,
EXECUTIVE PRODUCER, TV ONTARIO

CHAIRMAN The President,
BGen. S. F. Andrunyk, O.M.M., C.D.

BGEN. ANDRUNYK:

Distinguished guests, members and friends of The Empire Club of Canada: During the course of this season we have had the pleasure of welcoming to this club twenty-six leaders in government, politics, business and other fields of endeavour who have spoken to us on the major issues of the day. Today we are privileged to welcome as our guest speaker a well known Canadian whose primary interest lies in the entertainment field.

A graduate of the University of Toronto with an honours Bachelor of Arts degree and the holder of a permanent high school teacher's certificate, Mr. Elwy Yost has had a varied and fascinating career in education, in public relations and in the entertainment world.

He is a man of many talents. He has taught English at Burnhamthorpe Collegiate. He has written, produced, directed and acted in film and on the stage. He has worked for the *Toronto Star* in promotion and publicity. He has worked as a human relations counsellor for Avro Aircraft. He has written a number of plays for CBC Radio. He has been a panelist on several TV shows and he has hosted several more. He was the executive director for the Metropolitan Educational Television Association of Toronto between 1964 and 1970. Since 1970 he has been with TV Ontario where he now holds the position of Executive Producer.

Currently he is the host of *Saturday Night at the Movies* for which he has been nominated as best host/TV interviewer for the eleventh annual ACTRA Awards for broadcasting. He also hosts *Magic Shadows, Talking Film* and *Rough Cuts*.

Ladies and gentlemen, it is my pleasure to invite Mr. Elwy Yost, Executive Producer of TV Ontario, to share with us his love for the movies and to tell us about some of Hollywood's stars and directors whom he has interviewed.

MR. YOST:

Mr. President, distinguished head table guests, ladies and gentlemen: My observations, during the past seven minutes, of the manner in which you conduct your annual meeting make me wish that none of you is around to move and second my court martial. The alacrity with which you perform that act of total democracy sweeps the hair from my head. Equally disconcerting, as I look at these volumes of Empire Club yearbooks before me, is to think that that is where I will wind up. I imagine that in a hundred years, when these bones will have long since passed to that great cathode-ray tube in the sky, these yearbooks will stretch from one end of the table to the other and somewhere in that row will be me. The way they wipe tapes at TV Ontario because of budget problems, it may be the only place I will be a hundred years from now.

People often ask me what it is like to be a celebrity. It's fun being asked that because I never think of myself as a celebrity. However, after about five thousand television programs, I guess I am. But I am not the celebrity Al Waxman (who sits at this head table) is. Let's make that very clear. He is known all across Canada wherever he goes. If I step outside of Windsor, forget it. A bit beyond Thunder Bay, it gets somewhat hazy. But in Toronto, Barrie, Orillia and such other glamorous places it's quite tremendous and one develops a certain feeling about it. I travel the subway all the time and it's quite exciting to have people recognize you and speak to you. That's not always so, however.

I'll never forget my experience a year or so ago when I was a panelist with my good friend Jack Livesley, of TV Ontario, who tells this story better than I. We were on a media panel in northern Ontario with some educators. The school auditorium was full. We were sitting on the stage conducting our business when a man came in late, moved right down and sat in the front row. He proceeded to stare at me and grin as if to say he knew me. He seized upon me with his curious glance and continued to grin, watch and study me. When the panel was finished he came roaring over, shook my hand and said, "I know you! I do! I do!"

I humbly looked down towards the floor. You have to appear a little embarrassed with all this fame.

"I do know you," he said. "You used to teach me at Burnhamthorpe Collegiate twenty years ago." He paused and then added, "What are you doing now?"

Ah, ego!

Your President also noted in his introduction that I had the pleasure of teaching at Burnhamthorpe, which brings to mind a lesson I learned: "You must never take anything for granted." If you start doing that in life you might as well check out. You can't take anything for granted — not marriage, nor life, nor anything. We all should know that but I have taken a long time to learn it. I might have learned that the first week I started teaching in 1959.

I was determined to be a top teacher. I mean, the greatest! I was as ambitious then as I am now. I made very certain that I had memorized my schedule which was complicated because I was all over the school in those days. I imagine that teachers are still moved with the same kind of ubiquitous momentum as they were then. I didn't have to look at my schedule. I had that kind of confidence. My, what confidence I had then! All I was waiting for was my first spare on a Friday at 10:30 in the morning, because then I could leave the classroom for the first time after four days of teaching, go down to the staff room, put my feet up, light up a cigarette and be one of the boys just as though I had been there twenty years. I can't tell you, ladies and gentlemen, the degree of confidence that coursed through my veins. It was an incredible feeling!

There was a rap on the door of the staff room and our principal, a marvellous man named Jim McNab, stuck his head in — a head with less hair than I have — and said, "Elwy, could you give me a hand?"

I was as anxious to get ahead then as today. I jumped right up and asked, "What can I do for you, sir?"

"Just come along. It's a simple thing."

As we walked down the hall we chatted. "How do you like it here, Elwy?"

"It's great, sir, and it's great to be at your school. By the way, what do you want me to do?"

He replied, "There's a class upstairs unattended. Will you step in and look after the students until the next period?"

"I would be happy to."

As we were going up the stairs I asked, "By the way, Mr. McNab, whose class is it?"

"Yours," he replied.

I became a teacher and a broadcaster the same week. I had been at Avro, and you know what happened to Avro. I didn't know what to do in life. A friend suggested I become a teacher. Somebody else called up and said maybe I could audition for some panel shows. By the end of the summer in 1959 I became both a teacher by day and a broadcaster by night. Five years later somebody suggested I get into ETV and I did. That's the way my life has gone and it all wound up in the movies.

Elwy Yost,
Executive Producer, TV Ontario

People wonder where movies came in and I have to go back to my dad. I guess he's the best pal I ever had except my wife today. He was a wonderful man. He died when he was only fifty-four and I was fifteen. In those young years in the 1920s and the 1930s we were terribly close. He was a pickle manufacturer operating a very small business. He was the president, the chief salesman and the bottler. He was the only man in it. He must have been the last of a whole breed of manufacturer and entrepreneur. We haven't seen his like for a long time. He would go to Brantford or Simcoe County every year and buy up his cucumbers. He would then process and bottle them and sell them to restaurants.

We were poor but we always had food for the table. However, dad never felt he could afford to go to the movies or anything like that. He could afford a cigar and a pulp magazine once a week but movies seemed to be out. But he was passionately in love with film. In earlier years when he had been a bit more prosperous and courting mother, he went all the time. He had his great heroes in Douglas Fairbanks Sr., William S. Hart, Tom Mix and Chaplin. He raised me on stories of the movies even though he could never afford to go by the time I had come along, which was during the depression.

As soon as I came home from a Saturday afternoon movie to which my dime gave me admittance he would sit me down, out would come a glass of cider which was another luxury, and he made me tell him the plots. He would ask me to tell him what Ken Maynard did that day or Hoot Gibson or whoever. He would listen very patiently. Sometimes those pictures would not be sixty minutes long but I would take two hours to tell him the plot. I promise to be more merciful on all of you today. It was a characteristic of my father that if we were interrupted by a neighbour he would stop my story and talk with the neighbour, but the next night he would ask me to finish it. It got so that I really went to movies to tell him the plots. It was more fun telling him the stories of films than it was seeing them. He cried, he laughed. He was just the greatest audience on the face of the earth.

My aunt, who departed a year or two ago at ninety-two, always used to remind us of the time she and mother went shopping at Loblaws. It was back in 1933 on a Saturday afternoon in Weston. I came home bawling my eyes out. They got me into the car and took me shopping and tried to find out what was wrong. That was difficult, because I was totally incoherent. Finally they got it out of me — they extracted the truth.

I had seen a Tom Mix western and some bad guys had got Tom's horse Tony away from him. There's Tom, left in a desert without a compass or anything else. He has nothing — no water because his canteen is on the horse and Tony is gone. Tom is crawling over sand dunes for days until finally, in jubilation, Tom sees Tony on a dune. Tom crawls up the dune, and the sand is coming under his feet and his knees as fast as he can crawl. I am sitting there, at eight years of age, going right out of my skull watching him. He gets to Tony, puts his hand on the stirrup and pulls himself up. Thank goodness he has reached Tony! There's the canteen! He takes the stopper out and tilts the canteen to his lips! Water at last! Except nothing but pure sand pours out. The bad guys had taken care of that. I think my soul is still somewhere in the Weston Theatre in a delirium tremens way up by the ceiling. I started to bawl and continued to bawl even when Tom was rescued, even when he saved the ranch and restored the deed to the heroine. The second feature was a comedy with Wheeler and Woolsey. I cried all through that and all the way home.

But then to tell dad became a great thrill because maybe he would cry too. He did and I will never forget it. He was inconsolable.

My first visit to Hollywood took place in 1968. I had not yet started to work for TV Ontario at that time, but I had always wanted to go to Hollywood because of the stories of my father. There was one thing about that trip that still excites me and that was the trip to MGM. To me MGM had always been *Oz*. I had my wife Lila and two boys, Chris aged seven and Graham twelve, with me. We were given a special tour through MGM and it was a strange thing going through some of the factories there on the back lot. And that's what they were — factories. We would go into warehouses ten times the size of this room and see nothing but staircases — staircases from the Civil War, staircases for southern plantations, staircases for old haunted houses, staircases that presidents would ascend, staircases that Marie Antoinette would descend, staircases that a soldier would take climbing out of a trench — all made of plastic but like the real thing. There was every kind of staircase on earth. I had been living in this enchanted dream of art and culture called motion pictures for over forty years without realizing it was also a factory with carpenters and craftsmen and technicians of every kind.

During our tour that day, led by a lovely girl, I asked for an opportunity to see Johnny Weissmuller's jungle. "Are we going to see it?" I asked.

"Oh yes," she replied.

"I was raised on Saturday matinees in that jungle."

"Out here?"

"No, no, back home in Canada. I saw all of Mr. Weissmuller's Tarzan pictures and I just loved the jungle."

"Well, you'll see it."

Two hours later there was still no jungle. We were walking along a set of false fronts of Spanish stores representing a street in some Spanish city.

"Well, sir, here you are," she said.

"I don't quite get you."

"This is Mr. Weissmuller's jungle."

"These are Spanish stores," I replied.

"No, no," she said, "across the street."

I looked across the street. There was a grove of eucalyptus trees about forty feet wide and maybe a hundred feet long. That's all there was across the street.

"There you are, sir," she repeated.

"You must be mistaken," I said. "Mr. Weissmuller used to swing endless distances through the jungle. It was huge!"

"There you are."

"But that can't be the right jungle!"

"They used to run the camera along this street. It is very smooth here in front of the stores and gives a very good view of the jungle."

"My dear girl, look at that house through the trees."

"Oh, yes," she replied. "That's where Andy Hardy was raised."

"You can see it through the jungle!"

"That's right."

"And over there?"

"That's where Mr. and Mrs. Miniver lived."

"What's Tarzan's jungle doing with Mr. and Mrs. Miniver and Andy Hardy?"

"Well sir, you must understand that the set decorators haven't been around here for a long time. If they were shooting a jungle picture today they would dress the jungle with their plants and their vines. It would look magnificent."

"But wait," I said. "Where are those villages the natives would take the poor explorers to and tie their arms and legs to two different palm trees that had been bent over and then cut the vines and let the trees spring apart?"

I don't want to seem indelicate, ladies and gentlemen. I loved those scenes as a child. I always loved violence.

I asked, "What about the scenes in those villages?"

"Oh, they were done in the studio."

So she took us in and showed us a big empty studio.

"I don't understand," I said. "Those villages had trees and flora and fauna."

"Oh," she said. "Come this way." And we went out to a nursery next door. "Every morning a man would be sent out with his car and trailers. He would give the gardener his order and the jungle would be loaded onto the long set of trailers and then he would haul the jungle into the studio. The whole floor was marked off in squares and numbers by the production designer who would put down all the trees, plants, grass and everything. He would roll down green canvas for the paths Johnny had to run along. That's how they created the jungle. Every night at five o'clock they had to strike the jungle and send it back outside to be watered for the next morning."

So much for Hollywood legend and Tarzan. Did it disillusion me? No. I think I fell in love with this disillusionment. It's kind of fun to be disillusioned.

My first trip for TV Ontario to Los Angeles was in 1975 and we are still going down there. Our seventh trip is coming up in just a few weeks time. We fly down and shoot for eleven days. It's not easy but it's fun. We shoot fifty interviews and we bring back nineteen hours of tape. That's another reason why some of the hair has been whisked from my head. But it's exciting to meet all the people.

By way of flashback, I guess the first home ever built in Beverly Hills was in 1907. Back around that time when Hollywood began, pioneers have told me that there was nothing but oil derricks. The whole place was a kind of frontier town with telegraph poles, eucalyptus trees, frame houses, lima bean farms, carnation fields and citrus fruit orchards. Hollywood itself was just a sleepy town with one hotel built in 1903. The first movie man to come there was Colonel Selig of the Selig Company of Chicago. He went out in 1907 to complete a movie called *The Count of Monte Cristo*. The sets were built in the rear of Sing Loo's Chinese laundry on Olive Street. I don't think Sing Loo's is still there but Olive Street is. The exteriors were shot on the beach off Santa Monica. Then he shot *Heart of a Race Tout* which was the first ten-minute film ever shot in the Los Angeles area.

Movies were eleven years old in 1907. The first nickelodeon had appeared in Pittsburgh in 1905. By 1907 twenty-six million people went to nickelodeons all over America every week. Selig built a studio and in 1908-09-10 all of the others flooded out there including Biograph with David Ward Griffith. The main reason they went was because of the climate. It was not only good but reliable. For making movies you want a good sky every day and not just today. It had, as well, a good variety of locations from deserts to snow to lakes to oceans. More important the real estate was very, very cheap.

There had been a legend going around for years that the first people out to Hollywood were men who were trying to escape the clutches of the motion picture company in the east. They figured if they could make movies out in Los Angeles they would be close to the Mexican border. If any of the patent officials came around to ask why they were infringing on patent rights they could cross the border with all their equipment and hold out for a few days. That happened, but the real reasons were the nice climate, the variations in locales, and the cheap, cheap real estate.

Stars started to bloom, and the very first was a girl named Florence Lawrence. I have seen photos of her and, I think, she still is one of the most beautiful people I have ever looked at. Carl Laemmle who founded Universal thought it might be nice to get Florence and put her in some films of ten or twenty minutes duration. She had previously been making ten dollars a week and had got a raise to twenty-five. He liked her so much he thought he could pay her a thousand dollars a week, and he did. But then suddenly a newspaper report declared that while visiting St. Louis a trolley had run her down. She was dead! That news flash went all over America. I should point out here that actors didn't get credits in those days. Producers didn't want to give them for fear the stars would ask for more money. They were treated anonymously. So people knew stars as "that freckle-face girl" or "the girl with the up-turned nose" or "that red-headed boy." The people now knew that the beautiful girl was Florence Lawrence.

America mourned until a day later. Then her boss, Carl Laemmle, revealed in a newspaper article that she hadn't been killed. It had been put in the paper by a rival studio. She was alive and well and she would make a personal appearance. She did — in St. Louis — and she was almost mobbed! The world went insane and Laemmle knew he had a star. What the world didn't know was that he had invented all the stories I have just told you about. He created her death, brought her back to life, and printed the announcement that the rival studios had done it. He did the whole thing and America went insane over their first star. They have never stopped going insane over stars.

The big studios came along in those years through the teens and the twenties — MGM, Warner Brothers, Universal and Paramount. Great moguls arose — Louis B. Mayer and Jack and Harry Warner and the others. Jack and Harry were butchers when they started out. Louis was a scrap dealer and a rag picker. These were tough, hard men who ran tough empires but produced, I would suggest, the greatest pictures ever made.

There were big distributors like Loews and there were marriages between studios and the distribution chains in the growth of the great empires. But it was the major studios themselves that impressed me most. Warner's came along and developed a kind of low-key photography because its movies — its gangster pictures — were aimed at the lower class. That's how they got that low-key look in Warner pictures — it was the idea of Harry and Frank. MGM worked toward the middle class and so they had a kind of high-key lighting to go with Jeannette Macdonald and Nelson Eddy and others. Paramount, with Lubitch and others, aimed at a more sophisticated crowd and gave a fluorescent glow to their shots.

So much for background. Now for the stars I have seen in my job over the last seven years.

It's really not all that glamorous going out to Hollywood to shoot interviews. You work long hours — fifteen hours a day — but it is exciting when you run into someone like Gregory Peck. He comes into the room and you see General MacArthur standing there before you. I have always admired MacArthur, Teddy Roosevelt and a few other generals like them. In an actor like Peck you see a man who carries this kind of leadership with him. I sometimes wonder if that may be the key to a great actor. It isn't so much the part he plays, but what he puts into the part that counts. Maybe it is those qualities I saw in Peck that made his MacArthur on the screen so fascinating.

I interviewed Louise Fletcher, who was in *One Flew Over the Cuckoo's Nest*, just after the picture was released. You may remember that she played nurse Ratchett.

My wife was with me when I saw the picture and she asked who was the actress playing Ratchett. I whispered to her, "That is no actress. Milos Forman has recruited people from the insane asylum where they shot the picture up north of San Francisco. He has used members of the staff. That lady, you can clearly tell, is no actress. She is a nurse and she has been at it for about thirty years. She looks like a nurse. There is lint on her uniform, and look at that face. That's no actress, Lila; she's a real nurse."

Louise Fletcher said it was the finest compliment she had ever received.

I remember a picture called *Bang the Drum Slowly*. There was a baseball player in it who chewed tobacco.

My wife asked me, "Who is he?"

I replied, "That's not an actor. He's a baseball player. There's no style. He just chews tobacco."

"But he's so good," she said.

"He is just playing himself."

He was Robert De Nero.

I had a great time with Buddy Rogers and Richard Arlen. Buddy was married to Mary Pickford, of course, and Arlen has since gone. All they talked about was *Wings* with Clara Bow which was made in 1927 and a tall slim actor who said "Yup" all the time between takes. He appeared with Arlen for seventy seconds in a tent in a war scene, then went up and died in the air. It was the first part for Gary Cooper and Rogers and Arlen loved him dearly.

They were a wonderful pair. They never forgot the ending in which Richard Arlen, after being shot down over German lines, commandeers a German plane and while flying back to our side in World War I is shot down by his closest friend, Buddy Rogers. He didn't know it was Arlen. They loved the same girl, they were inseparable, and the one shoots the other down.

I saw the film a year ago with Horace Lapp at the piano at Gerald Pratley's Ontario Film Theatre.

Frank Capra is eighty-five and we talked about *Mr. Deeds Goes to Town* and *Mr. Smith Goes to Washington*. I told him of my great love affair with Jean Arthur — at a respectable distance, of course.

"Well," he said, "Jean is getting on, you know. She won't grant interviews. She's up in Carmel."

"I have never seen an actress with greater self assurance," I replied.

"I don't want to seem indelicate here, but if I am I know you'll forgive me," said Capra. "But before almost every take, Mr. Yost, she would go away from the set and throw up."

"That can't be," I protested.

"Oh, yes. I have never met a more insecure and neurotically nervous person in my life than Jean Arthur."

"And yet," I said, "the love scenes with Gary and with Jimmy Stewart . . ."

"I know," he replied, "some of the greatest actresses I have ever worked with often got sick to their stomachs when they faced a big scene. Barbara Stanwyck was not too much different."

It was fascinating to find out such curious things about these people that I had revered as gods and goddesses.

"Those scenes in *Lost Horizon*," I said.

"Oh, you liked that film?"

"Yes, and I still think Ronald Colman is out there searching for Shangri-La. I'll never forget those scenes where Chang and his men came down through the blizzard and rescued the people from the crashed airplane and guided them along those incredible Tibetan gorges. I imagine you didn't go to Tibet to shoot those scenes."

"Oh, no!"

"What part of the rockies did you go to?"

"We didn't go quite that far!"

"But, Mr. Capra, those scenes. Where . . .?"

"We rented an ice plant in downtown Los Angeles and shot them all there."

"A big ice plant?" I asked.

"About fifty feet wide and a hundred feet long. Not so big, but it's amazing what you can do in that space. We built the wrecked plane. I brought in great slabs of wood and built ledges out of hard rubber to act as cliffs so that the cast could cross along them. We had big propellers brought in. It really was something, wasn't it?"

It was David Niven who told me something that almost totally disillusioned me. I told him that I loved *Wuthering Heights*, and because of that film and Cathy and Heathcliff running over the moors, my wife and I were motivated into going to England many years later. He laughed and said those moor scenes where Cathy and Heathcliff roamed were made on Joel McCrea's ranch in Northern California.

One of my favourite shots in *Shane* is Jack Palance getting off a horse. He gets off his horse in a way that looks wierdly tense and strange. I asked William Hornbeck, the editor, about that, He told me that when George Stevens was editing that scene he couldn't find a good shot of Jack dismounting. And then he happened to roll in reverse some footage of Jack mounting a horse. That was it! That was the shot that went in.

Now for a quick London digression. Over there I met Jean Kent, Phyllis Calvert, Ann Todd, Anna Neagle and Margaret Lockwood. Fell in love with them all. What ladies!

Margaret Lockwood told me this story about Hitchcock. He had a strange habit when having tea every morning in the studio during the making of *The Lady Vanishes*. When he finished his tea he would throw the cup and saucer over his shoulder. They would land on the floor in the studio and break.

She also told me another very funny story about Hitchcock. He had an argument with one of his electricians about a number seven bus in London going down a certain street on Sunday mornings. The electrician argued that the bus did not run there on Sundays and Hitchcock said it did. Alfred Hitchcock had memorized every bus schedule in London. He knew every timetable of every ship and train in the world. He was a fanatic about timetables and he put this precision into his pictures. So to settle the argument with the electrician Hitchcock bet him ten pounds that if he came out of his house on Sunday at ten o'clock in the morning the bus would be there. The electrician was certain he would win the ten pounds. He got up on Sunday and the bus was there, all right. Hitchcock had hired the bus . . . bribed the driver.

Hal Roach told me that Laurel and Hardy worked for ten years in separate movies. One day he had them in on some wage negotiation. When they left he watched them walking away together. Wouldn't it be funny if I put them in the same picture, he thought? And that was how Laurel and Hardy were born.

"Which one was the genius?" I asked.

"Stan, the thin one."

"What about Hardy, the fat one?"

"His genius was never arguing with Stan. He just listened, never argued and went along with him. The two of them were very different types, you know. They never saw each other after work. The only time they were together was on the set."

I cornered production manager Raymond Clune and asked him when he worked with Selznick on *Gone With the Wind* what it was like to burn Atlanta. He told me it was a great fire. That was the night Selznick found Scarlett O'Hara in Vivien Leigh.

"What did you burn?" I asked.

"Knowing you, you won't like this. We didn't have very much wood around the studio so we dragged out the set of *The Garden of Allah*, the whole monastery, and we burned it."

"But," I said, "there must have been some other wood that you used."

"Yes, and I am sorry to tell you this, old chap. The gates of *King Kong* went up too."

Vincent Minelli told me that to get Margaret O'Brien to do those big scenes where she cried because her mother was dying, he would literally tell her that something terrible had happened to her dog. He said he had to get those tears and Margaret really cried when she heard something awful happened to her dog.

Richard Donner told me that to get Brando for *Superman* was something he would never want to go through again. It took him four months to even see him. Then he and his lawyer were taken up by car to a big estate with great gates somewhere in the Hollywood Hills. There were even Russian wolfhounds that had to be taken away by gamekeepers. They were escorted into the house. Nobody was there. There were signs on the wall that said "no smoking" and "no drinking." Half an hour later a very large man in a kimona came along and gave them flowers from the south Pacific. It was Brando.

After listening to them for an hour he said, "I'll do the part, but I'll only appear in a green suitcase."

"A green suitcase? "

"Yes," he said. "I think the part of Superman's father calls for my not appearing physically. I'll stand inside a very large green suitcase."

They argued with him for an hour and he finally reneged.

"All right," he said, "instead of the suitcase, I'll appear nude with a bagel hanging down in front."

Richard Donner told me that for four months, while they were waiting to go to Pinewood in England to shoot the film, every time they dealt with Brando he said it had to be the bagel. They had to use Brando because without him there would be no bankroll for the picture. They had to use him. Brando kept on about the bagel until the very day they were doing the first shooting in England. He came to the studio and asked for his robe. Everything was all right from then on. It was just his way of pulling a practical joke.

One final story. The most impressive guest I have ever had was Henry Fonda. We came into the room in his Hollywood Hills home for the interview. His wife had instructed us where to set up. She's a pretty sharp cookie. She looked at us in a way to suggest we should be careful not to scratch any of the furniture. Fonda was not around.

We had the lights all set up and I was waiting for Fonda. Then he came in. It's strange to see a man coming towards you whom you have worshipped since *The Grapes of Wrath*. What I saw was not the warm face I had been raised to see in the movies but a face almost drained of blood. It was the coldest face I have ever seen. He sat down in a chair and just sat there — expressionless.

I was sitting opposite him. I am supposed to be able to warm people up, and I was getting a little anxious because after five minutes I was getting nowhere.

"Mr. Fonda," I said, "we met Henry King the other day."

"How's he doing? " he asked, after an interminable pause, not looking up.

"He's very well, sir. He's ninety-two."

"Hmm. He directed me in my first two pictures, you know. What is he doing in his spare time? "

"He still flies his own plane," I replied.

"Cripes. I wouldn't go up with him."

I thought I was getting somewhere with that "cripes" but there was dead silence again until finally my producer came along and said, "We are set to go."

The lights came on and I heard "action" and up came the face we all love. This man gave the interview of my life. He was telling me about John Ford and he cried at one point while he was talking. He even had me crying. It was incredible. As soon as the lights went off, his head would go down and he would go back to his expressionless stare. We did that twice and I started to lose my nerve. There were ten minute intervals between the rolls while the cameraman reloaded. I knew Fonda had had an operation but I had never met anyone who only lived when the lights went on. I thought I must get through to him between the rolls of film because we had so much more to do.

I got up and went over to a wall that had nothing but paintings on it and took my pipe out. He started to look up and eyed me the way Jimmy Stewart once did with a cagey, funny look and said, "Which paintings do you like there? "

Suddenly, ladies and gentlemen, it hit me! He paints and some of his paintings were on the wall.

I sort of gripped myself and imagined what his paintings would be like. All I could think of was Andrew Wyeth, the king of American magic realism. From all of Fonda's screen roles, I somehow imagined he would be a little like Andrew Wyeth.

"That, that and that," I replied.

"Those three are mine."

Ladies and gentlemen, I'll never forget that moment!

He got right up and put his arm around me. We talked painting for twenty minutes. He knew by the way I talked I was an expert on painting. I mean I sounded like it. I was even impressing myself. I don't know very much about painting, but I was really impressing him and he was enthused. I had won him over!

"Shirley," he called, "bring in the one that's on the easel."

She brought in a long narrow canvas. There were six flower pots on it — three were in oil but the rest were in charcoal and pencil. I looked at the painting with an expert's eye and asked, "When will this painting be finished, Mr. Fonda? "

"It is," he replied.

Thank you, ladies and gentlemen.

The thanks of the club were expressed to Mr. Yost by Brigadier General Reginald W. Lewis, a Past President of The Empire Club of Canada.

1982-1983 *Officers and Board of Directors*

Honorary President	His Excellency the Rt. Hon. Edward Schreyer, C.C., C.C.M., C.D. Governor General of Canada
Honorary Vice-President	The Hon. John Black Aird, O.C., Q.C., B.A., LL.D. Lieutenant Governor of Ontario
Honorary Chaplain	The Very Rev. Ernest M. Howse, S.T.M., PH.D., D.D., LITT.D.
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Officers

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Third Vice-President	Montague Larkin, C.A.
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Archivist	Leland H. Ausman
Editor, Empire Club Yearbook	A. Carlyle Dunbar

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John A. MacNaughton
W. Malcolm McIntyre
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LCol. Hugh P. Stewart, C.D.
Gordon W. Swayze
Terrence Tyers
J. A. Wm. Whiteacre, M.M., C.D., Q.C.

Constitution

As amended April 26th, 1973

ORGANIZATION OF THE CLUB

ARTICLE I

Name

1. The name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

MEMBERSHIP

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   (a) Honorary members
   (b) Life members
   (c) Regular members
   (d) Corporate members

   All members of classes (a), (b), (c) must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of

voting or holding office and their membership shall be terminable at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

   Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors. Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organization shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives

shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be less than the aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

DIRECTORS

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the Chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meeting, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

OFFICERS

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as Chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

COMMITTEES

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
   (a) Budget and Finance Committee
   (b) Speakers Committee
   (c) Membership Committee
   (d) Constitution Committee
   (e) Reception Committee
   (f) Publicity and Public Relations Committee
   (g) Year Book Committee
   (h) Head Table Committee
   provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.
2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

MEETINGS OF MEMBERS

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in

each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings of members shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the Chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

FISCAL YEAR

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

AMENDMENTS

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Membership

HONORARY MEMBERS

Cartwright, The Hon. Mr. Justice J.R.
Comber, Walter W.
Gardiner, F.G., Q.C.
Jamieson, H.T., F.C.A.
Kemp, A.S.H.
McIntyre, W.M.
Michener, The Rt. Hon. Roland, P.C., Q.C.
Ralph, R. Ford
St. John, J. Stanley

LIFE MEMBERS

Adams, N. John
Allan, William N.
Ambrose, Graham H.
Anderson, D.S.
Ausman, Leland H.
Bagnato, Victor V.
Bassett, John
Baxter, Ian S.
Beare, S.E.
Beatty, D.S.
Belyea, Everton R.
Bennett, Miss Ferne
Bennett, Dr. Ross C.
Best, Douglas W.
Birrell, Bruce
Borins, Norman
Broad, R.L.
Brooks-Hill, F.B.
Brown, Arthur E.
Burke, E.T.C.
Burns, Charles F.W.
Campbell, W. Allan
Carpenter, David J.
Carter, Charles
Carter, Edward
Caswell, W.A., J.P.
Chatterson, Harvey
Chetwynd, Sir Arthur R.T.
Clark, H. Spencer
Corey, George A.
Cotterill, Benedict G.R.
Craig, LCol. John A.D.
Cranfield, Dr. Harold V., M.D., F.R.C.P. (C)
Crummey, Dr. Clarence B., M.D., F.C.F.P. (C)
Damiani, G.C. Q.C.
Davies, Bertha E.
Deacon, Fraser
DelZotto, Elvio
Douglas, LCol. R.G., C.St.J., C.D.
Duncanson, A.A.
DuVernet, E.A., Q.C.
Eaton, Donald L.H.
Eisen, Sol
Etherington, Joseph L.
Evis, Frederick A., Q.C., M.D.
Fabbro, J.J.
Forsdike, Frank E.
Frost, LCol. C.S. Jr., Q.C.
Funston, Hilliard I.
Gibson, George Raymond
Gore, Graham M.
Graham, John W., Q.C.
Graham, Kenneth G.
Griffin, Ian
Griffin, John W.
Hamilton, E.H.P.
Hargraft, George M.
Haussmann, Rudi
Hellyer, Hon. Paul T., P.C.
Hermant, Adam B.T.
Hermant, John D.
Hermant, Peter
Hermant, Sydney
Herrick, John D.
Hilborn, Col. Robt. H., M.V.O., M.B.E., C.D.
Hobbs, Dorothy
Hoffman, Charles C.
Holliday, John R.

Holota, Dennis
Horsley, Stephen Y.
Howell, Mrs. E.
Howse, T.H.
Hudson, John Beale
Hughes, James O.
Inwood, A.E.M.
Irwin, John F.
Jackman, H.N.R.
Jackman, W. Henry
Jervis, John
Jones, Trevor L.
Joyce, James H.
Jung, Friedrich W.
Jupp, LCol. D.H., O.B.E.
Karn, Mrs. Elfreda W.
Karn, William M.
Kemp, John
King, Christopher C.
Kitchen, Rev. Sterling J.
Lacey, Mrs. Aileen M.
Lambert, A.T.
Lawson, H.R.
Legge, MGen. B.J., C.M.M., C.St.J., E.D., C.D., Q.C.
Lehner, Frederich N.
Leman, Arthur S.
Lennox, Gordon
Loftus, R. G.
Luciano, Joseph F.
Mackinnon, LCol. A.P.
Marshall, George L.
Martin, J. Andrew, C.A.
Matthews, A. Bruce, C.B.E., D.S.O.
Matthews, Beverley, C.B.E., Q.C.
May, Miss Gladys
Mazurek, Ewald P.
McBrien, Fred G.
McCrimmon, Maj. J.S.G.
McMurray, John T.
Memory, John D.
Mikkila, W. G.
Mirvish, Edwin
Montgomery, James R.
Moses, John S.
Nagel, John F.
Neelands, D.G.
Ness, Bernard T.
New, Ryland J.
Noustas, E. A.
Nunes-Vaz, Mrs. Berthe
Olver, A.S.
Pallett, John C.
Parish, Dr. James A.
Patton, John A.
Paul, Edward H.
Pearson, Prof. Norman, F.R.T.P.I.
Phillips, Duncan R.
Reid, W.H.
Reuber, Grant L.
Ridley, John B.
Rokeby-Thomas, Rev. Dr. H.R.
Roman, S.B.
Rosenberg, Leonard
Rutherford, LCol. R.C.
Samis, Dr. T. Tweed
Sandy, J.
Schemmer, Axel P. H., Sr.
Shaver, Mrs. H. R.
Shefsky, Samuel V.
Shepherd, Dorothy E.
Smeed, James R.
Smith, Carleton
Stackhouse, Dr. Reginald, B.A., M.S., L.TH., B.D., PH.D.
Stafford, G.O.
Stark, Hon. Alexander, Q.C.
Steele, Gordon G.
Stingelin, Prof. Peter
Stone, Mrs. Edgar J.
Sullivan, Senator Hon. J. A., M.D.
Tappin, Graham John
Teasdale, Mrs. Barton F.
Thomas, Kenneth M.
Thompson, William M.
Thomson, K.R.
Turkevics, Leonard I.
Turnbull, R.
Turner, Capt. T. C., C.D., R.C.N.R.
Tuz, LCol. Paul J., C.M., C.D.
Waldie, Gordon
Watkins, William B.
Webster, R.H.
Wells, Douglas S., O.M.C.
Williams, J. K., Q.C.
Winkler, Sydney
Wotherspoon, G.D.
Wright, John L.
Yamaguchi, Koichiro

REGULAR MEMBERS

Abbott, Raymond S.N.
Abraham, Canon Duncan
Acheson, Robert
Adair, L.E.
Adams, Alexandra M.
Adams, Anthony S.
Adams, Michael
Adams, W.H.
Adamson, Edwin F.
Adamson, G.A.
Addison, Wm. G.
Adourian, Setrak
Affleck, Donald Scott
Aggett, Harold G.
Ahluwalia, George
Aird, David M.
Airth, Iris
Aitchison, Ian A.
Albery, A.C.R.
Albrecht, K. Michael
Alderson, D.E.
Alexander, H.H.
Alexander, John P.
Allan, Dr. Blandford
Alldrick, Ms. B.A.
Allen, Douglas K.
Allen, Miss Jane E.
Allen, John F.
Allen, Rev. L. Harvey
Allen, Dr. Michael S., F.R.C.S.(C)
Allingham, N.W., Q.C.
Allison, A.
Ally, M. Asgar
Altenau, John R.
Amato, L.
Ambrose, Mrs. P.J.
Amos, A.A.
Amos, J.L.
Anderson, Allan J.
Anderson, Douglas D.
Anderson, Kathleen J.
Andras, John
Andras, K.B.
Andre, Mrs. V.
Andrew, A. John
Andrew, Donald E.
Andrews, Harry E.
Angus, D.L.
Angus, Jas. K.
Angus, John F.
Anthony, R.F.K.
Appel, Bluma
Archbold, Wm. D.
Archer, William L.
Archer-Shee, James B.
Archibald, Ruth F.
Argent, Dr. W.R.
Ariel, David
Armitage, Donald
Armour, A. Douglas
Armstrong, B.L.
Armstrong, Bruce
Armstrong, Mrs. E.E.
Armstrong, G.E.
Armstrong, G. Warren
Armstrong, Jas. A.
Armstrong, June
Armstrong, Robert
Arnold, Bruno J.
Arnold, Edward S.
Arthur, Philip D.
Arvay, Leslie G.
Ashton, Mrs. Toni
Aspin, Norman
Astley, D.B.
Atherton, W.A.
Atkey, Hon. Ron
Atkins, Norman K.
Attewell, W.C.
Austfjord, Lynda M.
Austin, Audrey
Axford, Michael J.
Aymong, A.M.
Ayrhart, William T.
Aziz, Julian

Badgley, F.H.
Badoer, Carlo
Baig, M.Q.
Bailey, John H.
Bailey, William H.C.
Bain, Ian
Baker, Gordon Roy
Baker, Herb F.
Balfour, Norman E.
Ball, H. Graham
Bancroft, Dan
Band, John T.
Band, Miss Sarah A.
Banfill, John M.
Banias, Carolyne L.
Bankes, John F.

Banner, Dr. Mac
Baratz, Michael S.
Barber, Col. J. R., E.D., C.D.
Bardyn, Thor
Barltrop, C.S.
Barnes, Marjorie M.
Barnes, W. Allan
Barr, David E.
Barrett, Mrs. Barbara H.
Barros, Leo A.
Barrow, J.C.
Barry, Miss Hilda
Barslow, Joyce
Barstow, J.M.
Bartels, Klaus
Bartram, J. Trevor
Bassel, J.P., Q.C.
Bassett, Douglas
Bath, D.H.W.
Beam, Robert E.
Beamish, K.J.
Beasant, David
Beattie, A., Q.C.
Beatty, R.I.
Beauchamp, P.B.C.
Beauchamp, Walter N.
Beber, Monty C.
Beck, Miss M. E. Louise
Beckerman, Irving
Bedard, T.L.
Bedborough, Mrs. Cynthia
Beggs, Mrs. Barbara M.
Belaiche, Dr. A.D.
Bell, BGen. George G., M.B.E., C.D.
Bell, J.A.G.
Belsher, Selwyn P.
Belyea, Abner B.
Bender, George J.
Bennett, Bryan C.
Bennett, Hon. Claude F.
Bennett, Chief Judge Colin E.
Bennett, Douglas R.
Bennett, Ms. Jalynn H.
Bennetts, Dick
Berezowski, Z.
Bergel, Hy
Berger, Gordon
Bergerson, Peter D.
Berghuis, Wm. W.
Bernadine, Al
Berry, Dr. Henry
Bertram, Andrew John
Besko, Mrs. A.
Best, Eileen
Bethell, Robert E.
Bethune, K.M.
Biddell, J.L.
Bilbrough, W.H.
Binder, Louise
Birch, Hon. Margaret
Biringer, Paul P.
Birkenmayer, Mrs. S.A.
Birkness, Brian
Bishop, N. Jane
Bittner, Harry
Bjarnason, Thomas H.
Black, Mrs. Grace
Black, Major K.R.
Blackwood, John D.
Blaikie, Ross W.
Blair, Florence L.
Blair, Stanley E.
Blair, Willis L.
Bland, Yvette P.
Blaney, James William
Bloemen, P.J.M.
Blondeau, Jean Marc
Bloomberg, Lawrence
Bloxam, William
Blundon, William E.
Bocz, Tibor
Boddy, R. Paul
Bodrug, Dr. A.G.
Boggs, Mrs. W.B.
Boersma, J.M.
Bolliger, Mrs. Arlette
Bolton, Thomas G.
Bolus, John W.
Bond, Dr. Elizabeth Parr
Bond, Major Mel W.
Bonnycastle, Law C.
Bonyun, Denis F.
Boraks, Richard R.
Borchers, Brigitta
Borgenhov, Stein T.
Borosa, Walter A.
Borthwick, Miss Jessie K.
Borthwick, P. Alexander
Bot, William B.
Boud, Dr. Ian
Boukouris, Paul G.
Boultbee, Peter S.
Bourne, F.R.

Bowden, Edward H.
Bowen, W. A.
Bowler, John E.
Boyajian, Roger H.
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Boyden, R. Bruce
Boyer, J. Patrick
Boyko, Jos., LL.D.
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Bradlow, John
Bradshaw, W. A.
Bramm, George V.
Brandt, Michael D.
Brant, Reuben
Breaker, Reginald F.
Breckenridge, P. D.
Bredt, M.D.
Breeze, Mrs. N. E.
Brennan, Mary T.
Brennan, William J.
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Breuer, K.
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Broadbent, Malcolm J.
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Brodsky, Jack
Bromley, R. G.
Brooks, Craig W. R.
Brooks, John C.
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Brown, Mannie
Brown, Michael J. H.
Brown, Peter
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Bunting, Pearce
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Buxton, Philip H.
Byrne, B. Mae, C.A.

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Cadotte, A. W.
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Callaghan, Rev. Keith
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Cameron, Donald Ross
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Campbell, Jack
Campbell, Col. K. L.
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Campbell, Mac D.
Campbell, R. Y. W.
Campbell, William
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Cannon, Milda R.
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Chapman, S.F.
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Chartrand, Margaret
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Chatterton, Brian H. J.
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Clark, Paul D. J.
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Deans, Bruce
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Field, Thomas E.
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Forster, D. F.
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Fortier, Jean
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Foster, David
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Fournier, R. P.
Fowle, T. F.
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Frechette, William D. H.
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Freeman, Derek R.
Freeman, Joel Phillip
Freeman, L. R.
Freyseng, John
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Froese, Victor E.
Fromstein, Mrs. Patricia S.
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Fulton, Eve
Funasaka, Shinichi
Furnival, R. C.

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Gale, Scott Douglas
Gallant, Harry G.
Galloway, Charles T. P.
Gallup, Pamela
Galperin, Louis
Gani, Robert
Garlick, S. Bruce
Gartley, John D.
Garva, Ronald A.
Gathercole, Geo. E.
Gausden, M. B.
Geary, Richard R. C.
Geber, Juergen
Geisler, John A.
Gelber, Marvin B.
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Gelleny, Joseph J.
Gellner, John
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Gibson, John D.
Gibson, Col. John W.
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Gibson, BGen. T.G., C.B.E., D.S.O., C.D.
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Goddard, Alan B.
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Gooding, Kenneth Bruce
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Gordon, Eva J.
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Gorman, Jack R.
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Gouinlock, Robt. W.
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Gray, G.C.
Gray, Joan
Gray, William John
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Greenspan, David B., Q.C.
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Ground, John D.
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Holmes, Keith Edward
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Hooker, Peter
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Horsey, G.
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Howland, Hon. Chief Justice W. G.
Howlett, Carole
Howsam, Air Vice-Marshall G. R., C.B., M.C.
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Junnarkar, Hemant
Jupp, Edward A., Q.C.
Jupp, G. Alex
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Justice, C.A.
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Justrich, Willi
Jutha, N.A.

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Knopf, LCol. Gerhard
Knott, Leonard L.
Knox, E. Rachael
Knox, R. J.
Knuchel, H. B.
Koch, Dr. Ernst-Gunther
Koffler, Murray B.
Kofman, Dr. Oscar S., F.A.C.P., F.R.C.P.(C)
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Konkel, K.

Koonings, Paul P.
Koressis, Lucas
Kortright, L.H.G.
Koven, Mrs. Anne
Kowal, Mrs. Ann
Kowal, Edward J.
Kozak, Lubomir
Krelstein, Richard L.
Krivel, Miss Elaine
Kronbergs, T. E.
Kundinger, R.A.
Kunnapuu, John
Kunkel, H. M.

Labatt, Robert H. C.
Lacasse, Francoise
Lacey, Martin
Lafontaine, Richard
Laidlaw, James F.
Laidlaw, William D.
Laing, Edith
Laing, J. Warren
Lake, J. F.
Laking, A. Bruce
Lambert, Michael M.
Lamont, Mary Suzanne
Landra, Harry, Q.C.
Landrus, Marillyn
Lane, F. Edgar
Lane, John S.
Lane, Margo
Lang, Senator Daniel
Lang, Margaret John
Lang, R. Louise
Langer, H.P.
Langford, D. B.
Langford, G.K., Q.C.
Langford, James A.
Langley, Arthur J.
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Lantin, Dieter H.
Larkin, Thomie
La Rochelle, A. B.
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Latimer, John R.
Latornell, Arthur D.
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Learmonth, Col. Wm. R.
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Lee, Michael J.
Lee, Robert C.
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Lefebvre, Lynn A.
Lefevre, Oliver
Legrow, Lloyd M.R.
Lehner, Friedrich
Leibel, William
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Leitch, John D.
Leitch, Roland P.
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Lennox, Charles
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Levasseur, Ms. B. E.
Leverty, Tom
Levine, Michael A.
Levitt, Mrs. M. B.
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Lewis, A. M.
Lewis, David R.
Lewis, Gloria E.
Lewis, J. M.
Lewis, James D.
Lewis, Peter J.
Lewis, BGen. R.W., C.D.
Lewis, W. David G.
Libbey, James E.
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Lilly, W. Donald, Q.C.
Lind, Alex U.
Lindegger, Robert
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Lindsay, Harland C.
Lindsay, Dr. W. R.N.
Ling, Tom
Ling, Winston
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Liscombe, Wm. L.

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Loch, Ernest W.
Locke, H. K.
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Wilfred C.
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B.COM., M.A., B.PHIL., LL.D.
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MacKay, Stuart
MacKay, Walter F.
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MacLennan, Hilda
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Manning, J. Douglas
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Mernick, Farley
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Miller, W. R.
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Nicholls, Roland Herbert
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O'Connor, Thomas C.
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O'Reilly, Ian Rossa
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Orenstein, Samuel
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Orr, William K.
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Osler, Patrick C.
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Owen, John E.
Oxby, Margaret
Ozols, Edmunds

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Palonek, Edward
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Parkin, Barbara A.
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Parkinson, John G., Q.C.
Parkinson, Leslie C.
Parks, Captain Arthur H.
Partington, Eric
Pasiciel, Tad
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Paterson, Dr. Norman

Paterson, R. J.
Patki, Dilip
Paton, Andrew
Patterson, LCol. W. E., M.B.E., E.D.
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Paul, Ms. Susan
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Perren, S. R.
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Peto, Capt. E.M.
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Plenter, Janos
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Poltl, Alois
Pooley, Joanne W.
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Poprawa, Andrew J.
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Potter, N. F.
Powell, Daniel J.
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Price, Ralph J.
Prince, H.R.
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Protter, Bernard
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Puffer, N. R.
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Purdy, Dr. V. W.
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Pyper, D. G.

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Reid, Winifred R.
Reid, Wm. G.
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Richardson, J. D.
Richardson, Joseph Ward
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Riegert, John F.
Riehl, Gordon W.
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Ritchie, General Sir Neil
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Rogers, Thomas A.
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Ryman, Florence
Ryrie, Ross

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Sinclair, Sonja
Sinclair, William R.
Sipos, Rose
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Skewis, William
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Stevenson, LCol. M. A., C.D.
Stewart, Dr. Donald A.
Stewart, Douglas R.
Stewart, Henry E.
Stewart, LCol. Hugh P., C.D.
Stewart, J. Ross
Stewart, M. M. R.
Stewart, Malcolm J. King
Stewart, W. A.
Stichmann, L. J.
Stickler, Alan D.
Stillich, Stefan W.
Stinson, Allan W.
Stinson, F. C.
Stinson, Robert V.
Stock, R. Bruce
Stodilka, Robert Z.
Stofer, Bernard H.
Stokes, Frederick C.
Stonborough, John J.
Stone, Arthur, Q.C.
Stone, Joseph C.
Storey, Capt. John
Stortini, Mrs. Diane
Story, R. E.
Stothers, James E.
Stotland, Rebecca
Stracey, Walter E.
Strangemann, Gunter

Stratas, Mrs. Diane
Strathy, C.M.A.
Strathy, J. G. B.
Stratton, James B.
Strauss, Louis A.
Stronach, F.
Stuart, A.K.
Stuart, James G.
Stuart, Mary Alice
Stuart, Ronald S.
Succamore, Thomas J.
Sutton, Dennis
Sutton, Harry T.
Suzuki, Major George D., C.D.
Swabey, Alan
Swayze, G. W.
Sweet, Brian R.
Sweet, Mrs. Marjorie
Swenson, R.C.
Swift, Mrs. Jean H.

Takeuchi, Shigenori
Talanow, N.G.
Tallon, James William
Tanenbaum, H. Wayne
Tannian, James A.
Tate, Howard A.
Tatlow, John W.T.
Taylor, A. G. E.
Taylor, Bruce E.
Taylor, Colin
Taylor, E.P.
Taylor, Hugh
Taylor, Margi H.
Taylor, Ms. Mary Lou
Taylor, P. H.
Taylor, Peter J.
Teasdale, J. Taylor
Tebbutt, Robert S.
Telesnicki, Miss J.
Telfer, A.C.
Telfer, Cdr. (R) G.R., C.D., C.A.F.
Tellier, Henri
Temple, W. Michael, Q.C.
Templeton, Dorothy
Teresko, Peter
Thomas, Miss Gwen
Thomas, Louis R.
Thompson, A. D.
Thornton, H. Diane
Thornton, Kathryn J.
Tippett, Graeme
Tisdall, Charles W.
Tobias, Fulton G.
Tompkins, Kathleen
Too, Robert
Toombs, E. Harold
Topp, Robert M.
Torrie, Mrs. Beverley A.
Townrow, Ms. Barbara
Townsend, Michael W.
Townshend, Errol
Traber, Hans
Travolo, Ed.
Tremayne, F.A.M.
Trimble, Karen E.
Troop, Fred J.
Trott, J.R.
Trotter, Miss Karen F.
Trow, Timothy
Trowell, Douglas C.
Tsakok, Raoul N.
Tugham, Samuel
Turnbull, W. G.
Turner, Edward G.
Turner, J. R.A.
Turner, W. I.
Tuz, LCol. Paul J.
Tye, Harry T.
Tyers, Terrence
Tynkaluk, William G.

Ulan, S. J.
Upson, W. T.

Valliani, Munsoor
van Banning, A.H.M. Claus
Vandenberg, Henk
Vanderbeken, Mark A.
Vanderheyden, John
Van Der Merwe, A. J. S.
Vanek, Mrs. M.
Van Every, Alan
Van Hemert, Leslie
Van Loan, Mrs. Helen
Van Nostrand, I.N.
Vanstone, F. S.
Van Valkenburg, Burke
Varey, Russel
Varga, André, O.B.E.
Varma, Dr. Devendra P.
Venn, Al
Vernon, G.P. H.
Versi, B.

Vigoa, Severo C.
Vincent, Richard C.
Vining, Lon L.E.
Vivash, Mrs. Barbara
Von Gemmingen, Dieter
von Herrmann, Silvester
Von Platen, Thomas
von Selzam, F.K.
Vorbrodt, Michael

Wadland, J.B.
Wadsworth, J. Page R.
Wadsworth, Kenneth R.
Wakefield, D.E.
Wakim, A. Samuel
Walker, A.R.
Walker, Alan J.
Walker, C.G.
Walker, Senator The Hon. D.J., P.C., Q.C.
Walker, David J.
Walker, J.B.
Walker, James B.
Walker, W. Ross
Wall, T.P.
Walsh, David F.
Walton-Ball, Dr. H.G.
Wansbrough, J.C.C.
Warburton, E.H.
Ward, Christopher
Ward, D.H.
Ward, G.H.
Wardle, T.A.
Warren, Cynthia B.
Warren, E.W.
Warren, Roger W.
Warren, Suzanne
Warrington, T.D.
Warwick, S.F.
Wasylenko, Dr. John
Waters, P.D.
Watson, Alan Graeme
Watson, Dr. C. Peter N.
Watson, Kenneth M.
Watt, F. Bartlett
Watt, Rev. J. Robert
Watt, Robert C.
Waugh, Donald A.
Weatherall, John
Weaver, John L.
Webb, Anthony A.
Webb, Richard S.
Webb, Thomas R.
Webber, Ellis L.
Webber, W.H.
Weber, George
Webster, L.C.
Wegg, George S.
Weinstein, W.
Weir, Charles W.
Weir, LCol. J.R., C.D.
Weiss, Don
Welldon, Wilfred
Weller, Robert K.
Wells, Miss Loren A.
Wells, Lorne, C.A.
Wells, Hon. T., M.P.P.
Wenzel, J.S.
Werle, Scott
Westcott, Clare
Wheat, Major F.T.
Whelpton, Michael G.
Whitaker, W. Denis
White, Geoffrey B.
White, Nora
White, Robert G.
White, Timothy E.
White, William F.
Whiteacre, J. A. William, M.M., C.D., Q.C.
Whitelaw, R. Paul
Whiteside, Kenneth G.
Whiteway, Linda G.
Whitten, John A.
Whittington, Richard L.
Wickens, Ewart A.
Wightman, Joseph A.O.
Wigle, J.J.
Wigle, Seymour L.
Wild, Elfrida
Wilder, W.P.
Wildman, A.C.L.
Wilkes, David H.
Wilkinson, George
Wilkinson, William Hugh
Willer, Nancy Waite
Williams, John M. V.
Williams, Peter H.
Williams, Ridley
Williams, Robert H.
Willis, B.G.
Willis, Donald F.
Willis, E.I.
Willson, Bruce F.

Wilson, Brian John
Wilson, David
Wilson, David E.
Wilson, Frank L.
Wilson, Geo. A.
Wilson, Glen A.
Wilson, H. Graham
Wilson, Hilda
Wilson, John
Wilson, L. R.
Wilson, Marie
Wilson, Miss Meredith J.
Wilson, Robert D.
Wilson, Walter James R.
Winterton, Brock E.
Winters, Douglas W.
Winters, Marina A.
Wisebrod, Herbert L.
Wish, Ms. Judy M.
Wishart, A.A., Q.C.
Wong, Miss E. Jean
Wood, Carol
Wood, G.H.
Wood, James
Wood, Peter L.
Wood, Mrs. Vera
Woodall, Douglas E.
Woodcock, Frank W.
Woodman, Debbie
Woodroofe, G.T.N.
Woods, George W.
Woolgar, Peter W.
Woolley, Robert J.
Woolnough, Peter F.
Woolsey, E. John
Wright, Dr. D. T.
Wright, G.A.
Wright, G.W.
Wright, James R.
Wright, J. H.
Wright, Nigel
Wright, R.G.
Wright, Stuart R.
Wright, Wilfred J.
Wyatt, H.L.
Wylie, Dorothy M.

Yaremko, John, Q.C.
Yeats, William B.
Yeretsian, N.
Yocom, Paul A.
Yolleck, Ben A.
Younes, Ernest
Young, Charles B.
Young, Frank A.

Zahumeny, S.
Zanonchello, Michel
Zarichansky, Bob
Zehnder, Erwin J.
Zeidler, Eberhard H.
Zeitler, Dr. Klaus M.
Zeldin, John L.
Zenwirt, Adrian
Zonneveld, Cornelius
Zuker, Judge Marvin A.
Zummach, Miss Evelyn
Zuppinger, Walter U.
Zwicker, Jack
Zylstra, Fred G.

SPOUSAL MEMBERS

Captain and Mrs. Alan W. Abrams
Rev. Canon and Mrs. E. Ralph Adye
Mrs. Mona C. Allworth-Johnston
BGen. and Mrs. S. F. Andrunyk
Mr. and Mrs. J. J. Baker
Mr. and Mrs. M. C. S. Baptista
Rev. Dr. and Mrs. R. M. Bennett
Mr. and Mrs. D. Fraser Bently
Mr. and Mrs. W. D'Arcy Blair
Mr. and Mrs. W. G. Brissenden
Mr. and Mrs. J. C. Britton
Dr. and Mrs. Alan Carrie
Mr. and Mrs. W. D. Cosburn
Mr. and Mrs. Elgin E. Coutts
R. Devine
Dr. and Mrs. John W. Digby
Mr. and Mrs. C. R. Douglas
Major and Mrs. W. A. Duncan
Mr. and Mrs. W. A. Farlinger
Mr. and Mrs. R. D. Garlick
Mr. and Mrs. James B. Garrow
Mr. and Mrs. A. Gerenser
Mr. and Mrs. Michael Gordon
John G. Goodwin
Rev. and Mrs. J. Alastair Haig
Dr. and Mrs. H. G. Hall
Mr. and Mrs. John B. Hamilton
Mr. and Mrs. Paul E. W. Hartmann
Mr. and Mrs. John T. Hepburn
Mrs. Charles C. Hoffman
Mr. and Mrs. George Hogarth

Dr. and Mrs. David J. Kenny
Susan Kilbourne
Mr. and Mrs. C. D'Arcy Kingsmill
K. Knokel
Mr. and Mrs. Montague Larkin
Mr. and Mrs. R.W. Leacock
John B.J. Legge
Mrs. Bruce J. Legge
Charles Lennox
Mr. and Mrs. Thomas Leslie
Mr. and Mrs. B.H. MacDougall
Mr. and Mrs. John MacNaughton
Mr. and Mrs. E.D. Marchant
Mr. and Mrs. Peter L. McCreath
Mr. and Mrs. John D. McFadyen
Mr. and Mrs. William McGuigan
Mr. and Mrs. D.G.C. Menzel
Mr. and Mrs. Donald J. Miano
Mr. and Mrs. Dan Missios
Mr. and Mrs. Roy Morgan
Mr. and Mrs. Peter Nobbs
Major and Mrs. R.B. Oglesby
LCol. and Mrs. James E. Parker
Mr. and Mrs. E.H. Pearce
Mr. and Mrs. P.B. Pendrith
Mr. and Mrs. John G. Pitts
The Hon. Mr. Justice
  and Mrs. J.H. Potts
Alanna M. Quinn
Mr. and Mrs. John Reid-Weston
Rev. and Mrs. Harold F. Roberts
Mr. and Mrs. T.H. Salisbury
Mr. and Mrs. G.D. Shearer
Dr. and Mrs. T.O. Smith
Mr. and Mrs. A. Sowden
Mr. and Mrs. Joseph D. Sorbara
Mr. and Mrs. Henry J. Stalder
Mr. and Mrs. R.B. Stapells
The Hon. Mr. Justice
  and Mrs. D.R. Steele
Mary M.P. Stokes
Mr. and Mrs. Elmar Tampold
Mr. and Mrs. Corlos A. Tayhardat
Mr. and Mrs. John T. Valiant
Mr. and Mrs. James Wilson
Mr. and Mrs. R. Wilson

AUDITORS' REPORT

To the Members of
The Empire Club of Canada

We have examined the balance sheet of The Empire Club of Canada as at 30 April 1982 and the statements of members' equity and revenue and expenditure for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Club as at 30 April 1982 and the results of its activities for the year then ended in accordance with the accounting principles as set out in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

The comparative figures were reported upon by other auditors.

DUNWOODY AND CO.
CHARTERED ACCOUNTANTS

Toronto, June 25, 1982

THE EMPIRE CLUB OF CANADA

BALANCE SHEET AS AT APRIL 30, 1982

	1982	1981
ASSETS		
Current		
Cash and short term deposit receipts	$83,391	$44,717
Accounts receivable	1,912	4,032
Inventory, note 1	1,177	3,362
	86,480	52,111
Investment		
Government of Canada Bonds - at cost (market value 1982 — $5,286; 1981 — $4,800)	5,757	5,757
Fixed, note 1	1	1
	$92,238	$57,869
LIABILITIES		
Current		
Accounts payable	$ 8,365	$ 6,022
Due to The Empire Club Foundation, note 1	49,983	29,861
Membership fees and luncheon tickets paid in advance	5,050	6,500
	63,398	42,383
MEMBERS' EQUITY		
Life Membership Reserve, note 2	16,500	14,000
Surplus	12,340	1,486
	28,840	15,486
	$92,238	$57,869

Commitment, note 3

Incorporation, note 4

Approved on behalf of the Board

S. F. Andrunyk } Directors
R. Goodall

THE EMPIRE CLUB OF CANADA

STATEMENT OF MEMBERS' EQUITY
FOR THE YEAR ENDED APRIL 30, 1982

	1982	1981
Surplus, Beginning of Year	$ 1,486	$24,006
Transfer to life membership reserve	(2,500)	(4,000)
Excess of revenue over expenditure (expenditure over revenue) for the year	13,354	(18,520)
Surplus, End of Year	12,340	1,486
Life Membership Reserve, Beginning of Year	14,000	10,000
Add: Transfer from surplus, note 2	2,500	4,000
Life Membership Reserve, End of Year	16,500	14,000
	$28,840	$15,486

THE EMPIRE CLUB OF CANADA

STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED APRIL 30, 1982

	1982	1981
Revenue		
Membership fees	$60,275	$66,717
Luncheons — net	16,135	8,362
Interest	9,089	5,977
Other — net	(1,046)	(1,076)
	84,453	79,980
Expenditure		
Members' notices	18,550	31,141
Office salaries and employee benefits	20,857	18,851
Yearbook donations and sundry expenses	14,345	12,413
Publicity and promotion	969	1,488
Printing, stationery and postage	7,743	6,876
Rent	2,554	2,633
Meetings	2,210	1,693
Office and general	2,954	3,007
Telephone	917	998
	71,099	79,100
Excess of revenue over expenditure before Special Donation	13,354	880
Special Donation to the Empire Club Foundation	—	19,400
Excess of revenue over expenditure (expenditure over revenue) for the year	$13,354	($18,520)

THE EMPIRE CLUB OF CANADA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED APRIL 30, 1982

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the Club:

(a) Inventory

Inventory is valued at the lower of cost and net realizable value.

(b) Fixed Assets

Fixed assets, consisting of office furniture and equipment, are recorded at nominal value and additions are charged to expense in the year acquired.

(c) Due to the Empire Club Foundation

A donation to the Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year.

2. LIFE MEMBERSHIP RESERVE

The reserve was created in order to provide a continuing income to sustain the membership costs of life members. The reserve has been increased by $2,500 ($4,000 in 1981) in the current year to allow for increases in the life membership roll.

3. COMMITMENT

The Club occupies office space under a lease agreement expiring 30 September 1982 with a renewal option for another five years at an annual rental of approximately $5,000 which it shares with another society.

4. INCORPORATION

The Club was incorporated under letters patent in the Province of Ontario on 26 March 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

THE EMPIRE CLUB FOUNDATION

PRESIDENT'S REPORT

In 1982 I am particularly indebted to the Directors, the Officers, the Honorary Secretary, and the Honorary Treasurer of the Empire Club Foundation, and to our donors for their continued generous support in these hard times for the Canadian economy.

On April 30, under the brilliant leadership of the incoming President, Mr. Henry Stalder, the Club and the Foundation enjoyed a gala Empire Ball which made more than $7,900.00 for the Foundation. We were honoured that the Right Honourable and Mrs. Roland Michener were our gracious Patrons for the Ball. I should also like to thank Brigadier General Stephen Andrunyk, O.M.M., C.D., for his help as the distinguished President of The Empire Club of Canada for 1981-82.

B. J. Legge
President

THE EMPIRE CLUB FOUNDATION

Honorary President	Rt. Hon. Roland Michener, P.C., C.C., Q.C.
President	B. J. Legge, Q.C.
Vice-Presidents	H. N. R. Jackman R. H. Hilborn
Past President	J.W. Griffin
Honorary Secretary	R. B. Stapells, Q.C.
Honorary Treasurer	R. W. Lewis

Directors

Robert L. Armstrong
Warren Armstrong
Sir Arthur Chetwynd, Bt.
Fraser Deacon
C. Warren Goldring
Peter Hermant
John D. Herrick
P.W. Hunter
Arthur E.M. Inwood
William M. Karn
Arthur J. Langley
Hartland M. MacDougall
John A. MacNaughton
Frank F. McEachren
Donald G. Neelands
Henry J. Stalder, President of The Empire Club of Canada, 1982-83
John M. Thompson

PATRONS

Denison Mines Ltd.
Imperial Optical Ltd.
The Jackman Foundation
W. R. Legge in Memoriam

ENDOWMENT BENEFACTORS

Thomas J. Bata
Brascan Ltd.
Eaton Foundation
Erco Industries Ltd.
First Canadian Bank
General Mills Canada Ltd.
John W. Griffin
R. Bredin Stapells, Q.C.
Suncor Inc.

BENEFACTORS

Algoma Central Railway
Stephen F. Andrunyk
Bank of Nova Scotia
B.P. Canada
Burns Foods Limited
Canadian General Electric
Canadian Imperial Bank of Commerce
Commercial Union Assurance
The Coniagas Mines Ltd
The Continental Group of Canada
R. A. Daly & Company Ltd.
Distillers Corp Ltd. — Joseph E. Seagram & Sons Ltd.
Dow Chemical Canada Inc.
General Motors of Canada
C. Warren Goldring
Grafton Group Ltd.
Robert H. Hilborn
Imperial Oil Ltd.
Inco Ltd.
Irwin Toy Ltd.
John Labatt Ltd.
Bruce J. Legge, Q.C.
New Zealand Lamb Co. Ltd.
Nova An Alberta Corporation
Redpath Industries Ltd.
Rothmans of Pall Mall Canada Ltd.
Royal Bank of Canada
Royal Insurance Canada
Southam Inc.
J. C. Thackray
Talcorp Services Ltd.
J.M. Thompson
Traders Finance Corp. (1976) Ltd.
TransCanada Pipelines
Union Bank of Switzerland
UBS Representative Office
Versatile Corporation
Victoria & Grey Trust Co.

DONORS

Alan W. Abrams
Robert L. Armstrong
R. L. Broad
Mrs. B. Mae Byrne
Sir Arthur R. T. Chetwynd, Bt.
Robin J. T. Chetwynd
Mr. and Mrs. Fraser Deacon
Douglas L. Derry
Doulton Canada Inc.
John Gillespie
Rainer Grimberg
Adam B. T. Hermant
Arthur E. M. Inwood
G. Kekko
William M. Karn
Arthur J. Langley
Montague Larkin
Reginald W. Lewis
Nona Macdonald
John A. MacNaughton
Mark R. Marshall
Robert J. Marshall
Helmuth Martin
National Life Assurance Co.
D. G. Neelands
Ian W. Outerbridge
Joseph H. Potts, Q.C.
William Poy
Price Waterhouse
R. A. Robertson
Royal Trust Co.
David Rubin
Thomas H. Savage
Sun Life Assurance
H. Wayne Tanenbaum

MISCELLANEOUS DONATIONS RECEIVED

— with membership renewals	$2,610.00
— Empire Club Ball	$3,875.00

AUDITORS' REPORT

To the Members of
The Empire Club Foundation

We have examined the balance sheet of The Empire Club Foundation as at April 30, 1982 and the statements of income and expenses and members' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of The Empire Club Foundation as at April 30, 1982 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

SMITH, NIXON & CO
CHARTERED ACCOUNTANTS

Toronto, July 15, 1982

THE EMPIRE CLUB FOUNDATION

BALANCE SHEET AS AT APRIL 30, 1982

	1982	1981
ASSETS		
Current Assets		
Cash	$ 237	$ 9,489
Due from Empire Club of Canada	49,983	29,861
	$50,220	$39,350
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$34,759	$31,062
MEMBERS' EQUITY		
Equity	15,461	8,288
	$50,220	$39,350

Signed on behalf of the Board

B.J. Legge }
R.W. Lewis } Directors

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED APRIL 30, 1982

	1982	1981
Income		
Donations:		
The Empire Club of Canada	$14,000	$31,400
Supporters	24,126	31,064
The Empire Ball	7,907	—
Interest	98	43
Book sales	96	1,068
	46,227	63,575
Expenses		
Yearbook	36,066	31,332
75th Anniversary book	—	5,533
Stationery, postage and other expenses	2,988	1,497
	39,054	38,362
Excess of income over expenses for the year	$ 7,173	$25,213

STATEMENT OF MEMBERS' EQUITY FOR THE YEAR ENDED APRIL 30, 1982

Members' Equity (Deficiency) — Beginning of Year	$ 8,288	($16,925)
Excess of income over expenses for the year	7,173	25,213
Members' Equity — End of Year	$15,461	$ 8,288

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 1982

1. THE FOUNDATION

The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to The Empire Club of Canada to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. ACCOUNTING POLICIES

The Foundation includes donations in income when received except for donations from The Empire Club of Canada which are included in income when pledged. The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.

B. J. LEGGE, Q.C., President
H. N. R. JACKMAN, Vice-President
ROBERT H. HILBORN, Vice-President

THE RT. HON. ROLAND MICHENER, P.C., C.C., Q.C.
Honorary President

JOHN W. GRIFFIN, Past President
R. B. STAPELLS, Q.C., Hon. Secretary
R. W. LEWIS, Hon. Treasurer

THE EMPIRE CLUB FOUNDATION
SUITE 903, 60 ST. CLAIR AVE. EAST, TORONTO, CANADA M4T 1N5

REMEMBER THE EMPIRE CLUB FOUNDATION IN YOUR WILL

This Yearbook of The Empire Club of Canada is published by The Empire Club Foundation which is recognized by the Department of National Revenue as a charitable foundation for tax purposes. Over four thousand copies of the Yearbook are distributed free of charge to the libraries of Canada schools and colleges.

Would you please remember the Foundation in your Will to enable it to carry on the uniquely Canadian, patriotic and historic work of the Foundation. If you wish to help the Foundation, the following form of bequest is recommended.

> "I give and bequeath to The Empire Club Foundation, a Canadian charitable organization, registered under Section (27) of The Canadian Income Tax Act, with offices at 60 St. Clair Avenue East, Suite 903, Toronto, Canada M4T 1N5, the sum of $_________ to be used for its general charitable purposes".

For enquiries, please call The Empire Club of Canada at telephone number (416) 364-2878.

Bruce Legge

B. J. LEGGE
President

Registration Number 0353532-21-13